



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

2415 Eisenhower Avenue
 Alexandria, VA 22314
 (703) 292-8244

December 20, 2024

Darya Veach
dveach@calpoly.edu
 Director, Sponsored Programs Office
 California Polytechnic State University Foundation
 1 Grand Avenue
 San Luis Obispo, CA 93407

Reference: OIG Report No. 22-1-006

Dear Darya Veach,

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of Inspector General (NSF OIG) audit report on costs incurred under NSF awards by Cal Poly Corporation (CPC) from the inception date of each award through September 2, 2021.

The audit report identified a total of \$30,177 in questioned costs claimed on NSF awards and recommended that CPC strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined to sustain \$21,368 of the questioned costs identified; however, based on alternative documentation reviewed and accepted during resolution, NSF will require repayment of only \$19,608. The table below summarizes the sustained, allowed, and disallowed costs by recommendation:

Rec	Description	Questioned	Sustained	Allowed	Disallowed	Final Action Complete
1.1	Unallowable Expenses	\$12,022	\$3,213	\$8,809	\$3,213	No
1.2	Unallowable Expenses	\$216	\$216	\$0	\$216	No
1.3	Unallowable Expenses	\$0	\$0	\$0	\$0	No
1.4	Unallowable Expenses	\$0	\$0	\$0	\$0	No
2.1	Inappropriately Allocated Expenses	\$9,059	\$9,059	\$0	\$9,059	No
2.2	Inappropriately Allocated Expenses	\$0	\$0	\$0	\$0	No
3.1	Indirect Costs Inappropriately Applied	\$4,699	\$4,699	\$0	\$4,699	Yes
3.2	Indirect Costs Inappropriately Applied	\$0	\$0	\$0	\$0	No
4.1	Inadequately Supported Expenses	\$3,520	\$3,520	\$1,760	\$1,760	No
4.2	Inadequately Supported Expenses	\$661	\$661	\$0	\$661	No
4.3	Inadequately Supported Expenses	\$0	\$0	\$0	\$0	No
5.1	Non-compliance with Cal Poly Policies	\$0	\$0	\$0	\$0	No
5.2	Non-compliance with Cal Poly Policies	\$0	\$0	\$0	\$0	No
	Summary of Total Questioned Costs:	\$30,177	\$21,368	\$10,569	\$19,608	

To resolve the audit findings and questioned costs, NSF conducted detailed reviews of applicable Federal and NSF requirements, proposal and award information maintained by the Agency, and documentation provided by CPC. The summary below provides the bases for the management decisions reached by NSF:

Finding 1: Unallowable Expenses

Recommendation 1.1: Resolve the \$12,022 in questioned intra-Institution of Higher Education consulting expenses for which Cal Poly has not agreed to reimburse NSF and direct Cal Poly to repay or otherwise remove the sustained questioned costs from its NSF award.

NSF Management Decision: The recommendation is partially sustained. NSF has determined to allow \$8,809 based on the determination that prior approval was not required. NSF has determined to sustain and disallow the remaining \$3,213.

Corrective Action: NSF requires that CPC repay the disallowed costs of \$3,213. **Final action will be considered complete upon repayment of \$3,213.**

Recommendation 1.2: Direct Cal Poly to provide documentation supporting that it has repaid or otherwise credited the \$216 of questioned travel costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$216.

Corrective Action: NSF requires that CPC repay the disallowed costs of \$216. **Final action will be considered complete upon repayment of \$216.**

Recommendation 1.3: Direct Cal Poly to implement additional administrative and management procedures surrounding the payment of intra-Institution of Higher Education consulting services.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Recommendation 1.4: Direct Cal Poly to strengthen its processes and procedures surrounding the booking and approval of travel expenses.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Finding 2: Inappropriately Allocated Expenses

Recommendation 2.1: Direct Cal Poly to provide documentation supporting that it has repaid or otherwise credited the \$9,059 in questioned publication, supply, and participant support costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow the questioned costs of \$9,059.

Corrective Action: NSF requires that CPC repay the disallowed costs of \$9,059. **Final action will be considered complete upon repayment of \$9,059.**

Recommendation 2.2: Direct Cal Poly to strengthen its administrative and management controls and processes for supporting the allocation of expenses to sponsored projects.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Finding 3: Indirect Costs Inappropriately Applied

Recommendation 3.1: Direct Cal Poly to provide documentation supporting that it has repaid or otherwise credited the \$4,699 in questioned indirect costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$4,699.

Corrective Action: CPC has provided evidence of \$4,699 repayment. **NSF considers that final action is complete under Recommendation 3.1**

Recommendation 3.2: Direct Cal Poly to strengthen its monitoring procedures and internal control processes for applying indirect costs to federal awards. Updated procedures could include implementing an annual review process for costs charged to awards that include funding for participant support costs to ensure Cal Poly is appropriately segregating these expenses in accounts that it has excluded from its Modified Total Direct Cost base.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Finding 4: Inadequately Supported Expenses

Recommendation 4.1: Resolve the \$3,520 in questioned inadequately supported travel expenses for which Cal Poly has not agreed to reimburse NSF and direct Cal Poly to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF Management Decision: The recommendation is partially sustained. It is NSF's management decision to allow \$1,760 and disallow \$1,760 of the questioned costs of \$3,520.

Corrective Action: NSF requires that CPC repay the disallowed costs of \$1,760. **Final action will be considered complete upon repayment of \$1,760.**

Recommendation 4.2: Direct Cal Poly to provide documentation supporting that it has repaid or otherwise credited the \$661 of questioned subawardee travel costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. It is NSF's management decision to sustain and disallow \$661.

Corrective Action: NSF requires that CPC repay the disallowed costs of \$661. **Final action will be considered complete upon repayment of \$661.**

Recommendation 4.3: Direct Cal Poly to strengthen its policies and procedures for creating and retaining documentation, including introducing additional controls to help ensure that it appropriately creates and maintains all documentation necessary to support the allowability of travel expenses charged to sponsored programs.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Finding 5: Non-compliance with Cal Poly Policies

Recommendation 5.1: Direct Cal Poly to strengthen its administrative and management procedures to ensure the appropriate personnel complete and authorize an independent contractor agreement before a consultant begins work on a project.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Recommendation 5.2: Direct Cal Poly to (i) strengthen its administrative and management procedures to ensure travelers submit their travel expense reports within 10 days of returning from their trip, and/or (ii) update its policies and procedures to reflect its current expense reimbursement policies.

NSF Management Decision: The recommendation is sustained.

Corrective Action: NSF did not find CPC's corrective actions responsive to the recommendation; see NSF's email dated 8/20/2024. **Final action will be considered complete upon submission of an acceptable corrective action plan that addresses NSF concerns that were communicated to CPC in its 8/20/2024 email and a determination by NSF that CPC is responsive to the recommendation.**

Required Actions to be taken by CPC:

NSF requires that CPC provide updated corrective action plans (CAP) for the above summarized internal control and compliance recommendations where NSF determined that CPC was not responsive to the recommendations. **Updated CAPs are required for Recommendations 1.3, 1.4, 2.2, 3.2, 4.3, 5.1 and 5.2.** The updated CAPs should detail all actions, or interim actions, taken that fully address the recommendations, including the individuals responsible for internal control compliance and the dates that corrective actions were implemented. If interim or temporary actions were taken in anticipation of some future actions, provide a list of pending actions necessary for full implementation of corrective actions, responsible individuals, and target implementation dates. **Updated CAPs are due within 30 days of the date of this letter, or January 21, 2025.**

Based on the above, the total disallowed amount is \$19,608. CPC has provided NSF evidence of \$4,699 in repayments. **Repayment of the remaining \$14,909 must be made via www.pay.gov.** Please reference OIG Audit Report No. 22-1-006. Any necessary adjustments to ACM\$ as a result of the repayment will be made by the NSF Division of Financial Management (DFM). **Repayment of disallowed costs must be received no later than 90 days from the date of this letter, or March 20, 2025. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services**

The following are the pending pay.gov repayment amounts by award number:

Award #	Pending Repayment
1525058	\$3,213
1340110	\$2,696
2014171	\$6,579
1610350	\$2,421
	\$14,909

Please be aware that CPC's right to appeal cost disallowances by NSF is outlined in Chapter XII.B of the NSF Proposal and Award Policies and Procedures Guide (PAPPG), which may be found online at: https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg. **An appeal must be filed within 30 days from the date of this letter, or January 21, 2025.**

The University's timely responses and cooperation with the NSF audit resolution process are greatly appreciated. Should you have any questions regarding this letter or the NSF audit resolution process, please contact me at 703-292-4579.

Sincerely,

Carrie Davison

Carrie Davison
Senior Cost Analyst
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support