



NSF OIG CORNER

Frequent Audit Findings, Volume III

By Ken Lish

In the October 2022 and December 2020 issues of this magazine, we focused on frequent audit findings related to travel, subaward approvals, indirect cost rates, and allocating expenses. In this article, we'll highlight three common audit findings related to participant support costs. According to 2 CFR 200.1, participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

Frequent Finding 1: Participant Support Costs Used for Non-Participant Expenses

We often identify instances where award recipients use participant support funding for expenses that don't fall within the 2 CFR 200.1 definition of participant support costs. For example, participant support funding cannot be used to pay for a university employee's participation in sponsored project events or to pay conference speaker fees. To help avoid this finding, we suggest recipients provide training to principal investigators and sponsored program staff members, as well as update their policies to identify allowable uses of participant support funding. Further, recipient policies should explain that any planned participant expenses that may not meet the 2 CFR 200.1 definition of participant support costs should be justified in the budget detail (pre-award) or otherwise officially approved by the NSF Grants Officer (post-award) before incurring the expense.

Frequent Finding 2: Rebudgeting Participant Support Costs Without NSF Approval

Another finding we frequently observe is related to the use of participant support funding to cover cost overruns in non-participant budget categories. NSF's Research Terms and Conditions requires NSF's prior approval to transfer funds budgeted for participant support costs to other expense categories. To help avoid this finding, recipients could ensure that their internal policies address when and how to request approval to re-budget participant support funding, as well as how to document that approval consistent with NSF policies.

Frequent Finding 3: Applying Indirect Cost Rates to Participant Support Costs

Applying indirect cost rates to participant support costs is another area that often results in audit findings. As defined in the Uniform Guidance, participant support costs are excluded from the Modified Total Direct Cost (MTDC) calculation. Our audits often find that award recipients do not always appropriately segregate participant support costs within accounts excluded from the MTDC base. To help avoid this finding, recipients could implement an annual review process in which the principal investigator or other designated personnel is required to review all expenses charged to

awards that include funding for participant support costs and verify that the award recipient recorded all participant support costs in a unique account that is excluded from the MTDC base.

By ensuring your institution has policies and procedures that address these common findings, you can help avoid cost disallowances.

Where can I find more information?

If you're interested in learning more about all our frequent findings, we recommend reading our report, *Promising Practices for NSF Award Management*. Also, check out our audits of NSF award recipients and the associated resolution decisions:

- Audit Reports: <https://oig.nsf.gov/reports-publications/reports>
- Resolution Decisions: www.nsf.gov/bfa/responses.jsp

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