

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – University of Kentucky Research Foundation

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

March 31, 2021
OIG 21-1-006





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AT A GLANCE

Performance Audit of the Implementation of OMB COVID-19 Flexibilities –
University of Kentucky Research Foundation
Report No. OIG 21-1-006
March 31, 2021

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company LLP (C&C) to conduct a performance audit of the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the University of Kentucky Research Foundation (UKRF) for the period March 1 to September 30, 2020. The auditors tested approximately \$351,000 of the more than \$9.8 million of costs claimed to NSF. The objective of the audit was to determine if UKRF used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether UKRF complied with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix E.

AUDIT RESULTS

The report highlights that there were no exceptions identified with UKRF's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26, as detailed in Appendix A. However, the report identified concerns about UKRF's compliance with certain Federal and NSF regulations, and NSF award terms and conditions not related to the COVID-19 flexibilities. The auditors questioned \$33,151 of costs claimed by UKRF during the audit period. Specifically, the auditors identified \$33,151 in unallowable materials and supplies expenses. C&C is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in C&C's audit report.

RECOMMENDATIONS

The auditors included 1 finding in the report with associated recommendations for NSF to resolve the questioned costs and to ensure UKRF strengthens administrative and management controls.

AUDITEE RESPONSE

UKRF agreed with the finding in the report. UKRF's response is attached in its entirety to the report as Appendix D.

FOR FURTHER INFORMATION, CONTACT US AT OIGPUBLICAFFAIRS@NSF.GOV.




National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

MEMORANDUM

DATE: March 31, 2021

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements

FROM: 
Mark Bell
Assistant Inspector General
Office of Audits

SUBJECT: Audit Report No. 21-1-006, University of Kentucky Research Foundation

This memorandum transmits the Cotton & Company LLP (C&C) report for the audit of the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the University of Kentucky Research Foundation (UKRF) for the period March 1 to September 30, 2020. The audit encompassed approximately \$351,000 of the more than \$9.8 million claimed to NSF during the period. The objective of the audit was to determine whether UKRF used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether UKRF was complying with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix E.

Please coordinate with our office during the 6-month resolution period, as specified by OMB Circular A-50, to develop a mutually agreeable resolution of the audit findings. The findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

OIG Oversight of the Audit

C&C is responsible for the attached auditors' report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in C&C's audit report. To fulfill our responsibilities, we:

- reviewed C&C's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with C&C, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by C&C; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Billy McCain at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

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**PERFORMANCE AUDIT OF THE
UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION'S
IMPLEMENTATION OF THE
OFFICE OF MANAGEMENT AND BUDGET
CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

**NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL**

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**NATIONAL SCIENCE FOUNDATION
PERFORMANCE AUDIT OF THE UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION’S
IMPLEMENTATION OF THE OFFICE OF MANAGEMENT AND BUDGET
CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

I. BACKGROUND

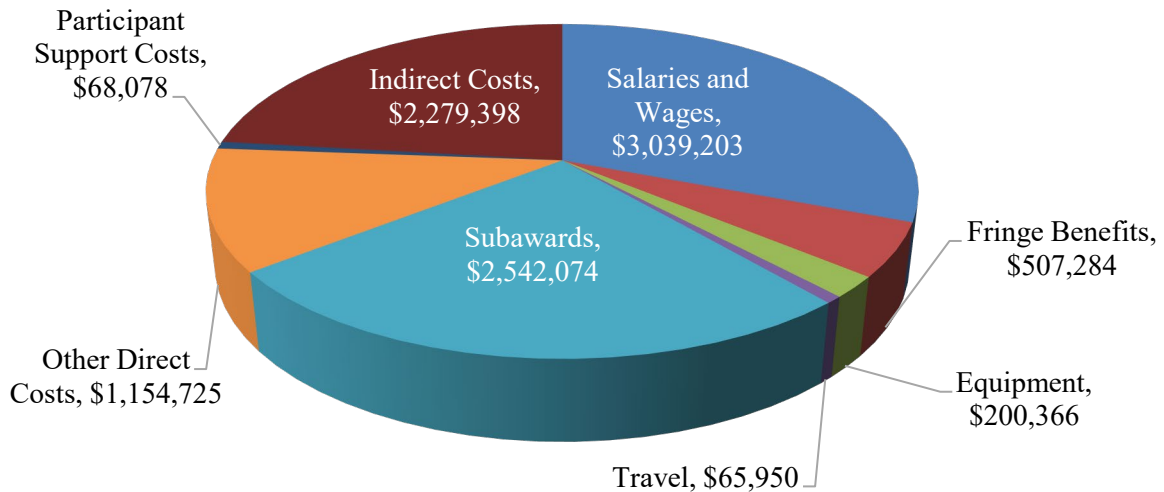
The National Science Foundation is an independent Federal agency created by Congress in 1950 “[t]o promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507).

In response to the Coronavirus Disease 2019 (COVID-19) pandemic, the Office of Management and Budget (OMB) issued memoranda that provided temporary administrative flexibilities for Federal financial assistance awards. Subsequently, NSF published a variety of additional guidance for NSF awardees regarding how to implement these flexibilities, as outlined in the Objectives, Scope, and Methodology section of this report (**Appendix E**).

Recognizing that it was paramount to ensure NSF award recipients properly implemented these flexibilities, the NSF Office of Inspector General engaged Cotton & Company LLP (referred to as “we”) to conduct a limited-scope performance audit to determine whether the University of Kentucky Research Foundation (UKRF) implemented the administrative flexibilities and, if so, whether it complied with the associated guidelines.

In performing this audit, we gathered and reviewed general ledger detail that supported approximately \$9.9 million in expenses that UKRF claimed on 136 NSF awards during our audit period of performance of March 1 to September 30, 2020, as illustrated in Figure 1.

Figure 1. Costs Claimed by NSF Budget Category, March 1 through September 30, 2020



Source: Auditor analysis of accounting data provided by UKRF.

This performance audit, conducted under Order No. 140D0420F0642, was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report (**Appendix E**) and was conducted in accordance with *Generally Accepted Government Auditing Standards*, 2018 Revision, issued by the Comptroller General of the United States. We communicated the results of our audit and the related finding and recommendations to UKRF and NSF OIG. We included UKRF's response to this report in its entirety in **Appendix D**.

II. AUDIT RESULTS

We did not identify any exceptions with regard to UKRF's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26 (referred to as "COVID-19 flexibilities"), as detailed in **Appendix A**. Within the limited scope of our testing, we were able to gain an understanding of UKRF's implementation of the flexibilities and did not identify any instances in which UKRF did not comply with the associated guidelines, as summarized below.

UKRF did not specifically track the expenses that it incurred under the COVID-19 flexibilities; however, we gained an understanding of how UKRF implemented the COVID-19 flexibilities, including how the implementation process fit within UKRF's overall grant management environment, by conducting a series of interviews with UKRF staff. Based on this understanding and UKRF's responses to the OMB flexibilities survey included in **Appendix B**, we tailored our data analytics sampling approach to enable us to select 40 transactions that UKRF incurred in accordance with the COVID-19 flexibilities or that we identified as high risk for other related reasons.

We tested the 40 transactions sampled, which represented \$350,770¹ in costs that UKRF charged to NSF awards during the audit period. We identified one example in which UKRF used the COVID-19 flexibilities that OMB granted and NSF implemented, as follows:

- UKRF charged NSF Award No. [REDACTED] for \$1,830 in airfare expenses associated with a cancelled flight.

While this expense would not typically be allowable on an NSF award, the cancelled airfare expense is allowable on this award under flexibility seven of OMB Memorandum M-20-17.² Further, because UKRF has a procedure in place to ensure that it either (i) uses the travel credit to benefit this NSF award, or (ii) removes the credit amount from the award and refunds it to NSF, we noted no exception with UKRF's use of this flexibility.

Although we did not identify any exceptions related to UKRF's use of the COVID-19 flexibilities, we determined that UKRF needs improved oversight of expenses charged to NSF

¹ The \$350,770 represents the total value of the 40 transactions selected for transaction-based testing. It does not represent the dollar base of the total costs reviewed during the audit.

² Flexibility seven of OMB Memorandum M-20-17 states that recipients who incur costs related to the cancellation of events, travel, or other activities necessary and reasonable for the performance of the award, or the pausing and restarting of grant funded activities due to the public health emergency, are authorized to charge these costs to their award without regard to 2 CFR § 200.403, Factors affecting allowability of costs, 2 CFR § 200.404, Reasonable costs, and 2 CFR § 200.405, Allocable costs.

awards to ensure claimed costs not related to the COVID-19 flexibilities are reasonable, allocable, and allowable in accordance with all relevant Federal and NSF regulations, and, NSF award terms and conditions. Specifically, we identified and questioned \$33,151 of unallowable direct and indirect costs that UKRF claimed during the audit period, as discussed in the *Audit Finding* section below.

III. AUDIT FINDING

We provide a breakdown of the questioned costs by finding in **Appendix C** of this report.

Finding 1: Unallowable Expenses

UKRF charged one NSF award a total of \$33,151 in expenses that were unallowable under Federal regulations³ and NSF’s *Proposal and Award Policies and Procedures Guide* (PAPPG).⁴ Specifically:

- From January through July 2020, UKRF charged NSF Award No. [REDACTED] for \$33,151 in expenses incurred for materials without maintaining sufficient documentation to support that it used the materials to complete the award objectives prior to the award’s June 30, 2020 expiration date.

UKRF did not have sufficient policies and procedures in place to ensure that it maintained documentation to support that it used materials within the award’s period of performance to benefit the NSF award. As a result, costs associated with supplies that UKRF was unable to use during the award’s period of performance were not appropriately returned to NSF.⁵ We are therefore questioning \$33,151 of unallowable expenses charged to one NSF award. UKRF concurred with the full \$33,151 in questioned costs, as illustrated in Table 1.

Table 1. Unallowable Expenses

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			UKRF Agreed to Reimburse
			Direct	Indirect	Total	
January – July 2020 Materials and Supplies	[REDACTED]	2020-2021	\$22,027	\$11,124	\$33,151	\$33,151
Total			\$22,027	\$11,124	\$33,151	\$33,151

Source: Auditor summary of identified exceptions.

³ According to 2 Code of Federal Regulations (CFR) § 200.403(a), absent the COVID-19 flexibilities granted by OMB, for costs to be allowable, they must be necessary and reasonable for the performance of the Federal award.

⁴ NSF PAPPG 17-1, Part II, Chapter X, Section A states that grantees should ensure that all costs charged to NSF awards meet the requirements of the applicable Federal cost principles, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

⁵ According to 2 CFR § 200.314(a), if the grantee has a residual inventory of unused supplies purchased with Federal funding that exceeds \$5,000 upon termination of the project, the grantee must compensate the Federal government for its share.

Recommendations

We recommend that NSF's Director of the Division of Institution and Award Support:

1. Direct UKRF to provide documentation supporting that it has repaid or otherwise credited the \$33,151 of questioned materials and supplies costs for which it has agreed to reimburse NSF.
2. Direct UKRF to implement additional NSF grant close-out procedures that require the Principal Investigator to evaluate whether they should remove any expenses associated with unused materials and supplies from the NSF award.

UKRF Response: UKRF agreed to reimburse NSF for the \$33,151 in questioned costs, noting that an 8-month delay in the receipt of the materials did not allow it to proportionately use the materials within the award's remaining budget period. Further, UKRF stated that, although it believes it has strong internal controls and thorough policies and procedures in place to ensure the allowability of expenses charged to sponsored programs, it is conducting a review of its support structure to identify opportunities for improvement, and it will implement action plans as necessary.

Auditors' Additional Comments: Although our position regarding the allowability of these costs has not changed, we updated both the cause of the finding and Recommendation 2 based on UKRF's formal response confirming that it did not charge the materials to the NSF award in proportion with the materials' use within the remaining budget period.

COTTON & COMPANY LLP



Megan Mesko, CPA, CFE
Partner
March 30, 2021

**APPENDIX A: UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION'S IMPLEMENTATION OF
OMB AND NSF'S COVID-19 FLEXIBILITIES**

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION’S IMPLEMENTATION OF OMB AND NSF’S COVID-19 FLEXIBILITIES

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Issue(s) Identified with the Awardee’s Implementation of the Flexibilities?
M-20-17	1. Flexibility with SAM registration	No	Not Applicable. Because UKRF’s SAM registration does not expire until May 14, 2021, it did not implement this flexibility.
	2. Flexibility with application deadlines	No	No Exceptions Noted. UKRF's Office of Sponsored Projects Administration (OSPA) continued to perform services related to proposal submissions, award review and negotiations, account setups, and modifications. OPSA encouraged employees to contact a Research Administrator or College Grant Officer with specific questions regarding proposals, and it published NSF’s Guidance on Impacted Deadline Dates on its COVID-19 Updates website.
	3. Waiver for Notice of Funding Opportunities (NOFOs) publication	No	Not Applicable. This flexibility is not applicable to NSF awards.
	4. No-cost extensions on expiring awards	No	No Exceptions Noted. UKRF noted that, although it allowed requests for no-cost extensions, the no-cost extensions were subject to the same submission, review, approval, and monitoring policies and procedures that UKRF had in place prior to the pandemic.
	5. Abbreviated non-competitive continuation requests	No	No Exceptions Noted. UKRF stated that it did not implement this flexibility, and we did not identify any issues specific to continuation requests during our sample testing.
	6. Allowability of salaries and other project activities	Yes	<p>No Exceptions Noted. UKRF updated its <i>Human Resources Policy and Procedure #70: Attendance/Hours of Work</i> to include an additional leave type called “Administrative No Pay.” UKRF only allows employees to use the “Administrative No Pay” status after approval is provided through a rigorous process initiated by the employee’s supervisor, in conjunction with Human Resources (HR). Although UKRF does not pay any salary to an employee on “Administrative No Pay” status, it still covers both the employee and employer portion of the employee’s health benefits for the first 90 calendar days, charging the benefit expenses to funding sources consistent with the employee’s allocation of effort directly prior to going on “Administrative No Pay” status.</p> <p>Although OSPA indicated that UKRF used this flexibility, our salary sample testing did not identify any instances in which UKRF directly charged NSF awards for fringe benefits associated with “Administrative No Pay” employees. Specifically, UKRF stated that it interpreted the OMB guidance as indicating that grantees could continue to charge salaries and benefits as long as these expenses were consistent and benefited the project. UKRF therefore created a list of activities that it considered to be meaningful work on sponsored projects; personnel could then use this list to guide the work of employees that continued to charge their salaries directly to NSF awards. UKRF did not make any changes to its effort</p>

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Issue(s) Identified with the Awardee’s Implementation of the Flexibilities?
			<p>confirmation procedures; however, it added the following language to its confirmation reports: “Effective beginning Quarter 4 FY 2020, (April - June) This period included a disruption in normal business due to COVID-19. Consistent with federal and university guidance, the reasonability of the work performed may include periods of low to no activity during this time.”</p> <p>Although our salary sample testing identified effort confirmation reports that contained this language, we did not identify any instances in which salary charged to NSF awards was associated with periods of low to no activity. Specifically, each employee sampled appeared to be capable of performing award research from home or on campus (allowable if approved as part of the phased research plan), and their timesheets/effort reports supported that they charged time they were not able to work as a result of COVID-19 to non-NSF funding sources.</p>
	<p>7. Allowability of costs not normally chargeable to awards</p>	<p>Yes</p>	<p>No Exceptions Noted. UKRF initially indicated that it did not implement this flexibility. However, based on the information we obtained during our virtual interviews with UKRF personnel and during our testing of travel transactions, we determined that UKRF did implement this flexibility with regard to travel credits received in response to cancelled flights. Specifically, UKRF stated that it does not typically reimburse travelers for costs associated with airfare for which the traveler received a travel credit until the traveler exchanges the credit for future business travel and completes the trip. However, under the OMB flexibility, UKRF allowed early reimbursement of these expenses, to remove the burden of the flight costs from its employees. However, during our testing, we identified one instance in which UKRF did not refund NSF for airfare associated with a flight for which the Principal Investigator (PI) of the award received a travel credit that they have not yet been able to use. UKRF indicated that the PI of the award intends to use the travel credit to perform grant-related travel in the future, specifically noting that the PI will request a no-cost extension if they are unable to travel during the award’s current period of performance. Further, UKRF is monitoring this expense, as well as other travel credits, and plans to reimburse the relevant NSF awards for any expenses associated with travel credits that personnel do not ultimately use to benefit the original award charged.</p> <p>Although we identified a number of other expenses that were affected by the pandemic, as well as expenses that UKRF incurred under a Rapid Response Research (RAPID) grant issued in response to the pandemic, because the costs appeared to be allocable to, reasonable for, and allowable under the awards charged based on standard OMB guidance, we did not identify those transactions as instances in which UKRF used the COVID-19 flexibilities.</p>

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Issue(s) Identified with the Awardee’s Implementation of the Flexibilities?
	8. Prior approval requirement waivers	No	No Exceptions Noted. UKRF stated that if personnel needed to implement any changes that would require sponsor approval, they were required to submit the change request and obtain appropriate reviews and approvals using the same policies and procedures that had been in place prior to the pandemic. Our testing did not reveal any exceptions specific to the prior-approval requirements.
	9. Exemption of certain procurement requirements	No	Not Applicable. UKRF did not make any changes to its internal procurement requirements.
	10. Extension of financial, performance, and other reporting	No	No Exceptions Noted. UKRF stated that it did not implement this flexibility. Our testing did not reveal any exceptions in this area.
	11. Extension of currently approved indirect cost rates	Yes	No Exceptions Noted. As of October 20, 2020, UKRF stated that it anticipated receiving a new Negotiated Indirect Cost Rate Agreement (NICRA) shortly. The base year was originally extended to 2021, then to 2022 based on the potential impact of COVID-19. UKRF's most recent NICRA became effective September 28, 2020, and includes the following statement: “Per 2 CRF 200.414(g) - A rate extension has been granted on 03/17/2020. The one year rate extension of the indirect cost rate was granted in accordance with the OMB Memorandum M-20-17 on 09/28/2020.”
	12. Extension of closeout	No	No Exceptions Noted. UKRF did not make any changes to its policies and procedures related to report extensions or award closeout. Our testing did not reveal any exceptions in this area.
	13. Extension of Single Audit submission	No	Not Applicable. UKRF did not request or receive an extension related to the submission of its Single Audit.
M-20-20	1. Donations of medical equipment and other resources purchased/ funded under Federal financial assistance in support the COVID-19 response	No	No Exceptions Noted. UKRF stated that it did not implement this flexibility. Specifically, departments would have loaned certain resources rather than donating them, and UKRF used institutional funds to replenish or pay for any resources loaned or COVID-specific items purchased, such as personal protective equipment (PPE). Our testing of other direct costs and materials and supplies did not reveal any instances in which UKRF repurposed Federal funding to support the COVID-19 pandemic.
M-20-26	1. Extension of allowability of salaries and other project activities through September 30, 2020	Yes	No Exceptions Noted. UKRF updated its <i>Human Resources Policy and Procedure #70: Attendance/Hours of Work</i> to include an additional leave type called “Administrative No Pay.” UKRF only allows employees to use the “Administrative No Pay” status after approval is provided through a rigorous process initiated by the employee’s supervisor, in conjunction with HR. Although UKRF does not pay any salary to an employee on “Administrative No Pay” status, it still covers both the employee and employer portion of

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Issue(s) Identified with the Awardee’s Implementation of the Flexibilities?
			<p>the employee’s health benefits for the first 90 calendar days, charging the benefit expenses to funding sources consistent with the employee’s allocation of effort directly prior to going on “Administrative No Pay” status.</p> <p>Although OSPA indicated that UKRF used this flexibility, our salary sample testing did not identify any instances in which UKRF directly charged NSF awards for fringe benefits associated with “Administrative No Pay” employees. Specifically, UKRF stated that it interpreted the OMB guidance as indicating that grantees could continue to charge salaries and benefits as long as these expenses were consistent and benefited the project. UKRF therefore created a list of activities that it considered to be meaningful work on sponsored projects; personnel could then use this list to guide the work of employees that continued to charge their salaries directly to NSF awards. UKRF did not make any changes to its effort confirmation procedures; however, it added the following language to its confirmation reports: “Effective beginning Quarter 4 FY 2020, (April - June) This period included a disruption in normal business due to COVID-19. Consistent with federal and university guidance, the reasonability of the work performed may include periods of low to no activity during this time.”</p> <p>Although our salary sample testing identified effort confirmation reports that contained this language, we did not identify any instances in which salary charged to NSF awards was associated with periods of low to no activity. Specifically, each employee sampled appeared to be capable of performing award research from home or on campus (allowable if approved as part of the phased research plan), and their timesheets/effort reports supported that they charged time they were not able to work as a result of COVID-19 to non-NSF funding sources.</p> <p>With regard to whether it exhausted other resources prior to charging the award under this flexibility, UKRF specified that it used institutional balances and funds from philanthropy and donations. In addition, UKRF instituted a COVID-19 relief fund to obtain donations to help support employees that may be required to go on “Administrative No Pay status,” and the President approved the use of contingency funds to pay these employees’ salaries. Accordingly, we did not identify any instances during our salary sample testing indicating that UKRF charged “Administrative No Pay” costs directly to NSF awards.</p>
	2. Extension of Single Audit submission and COVID-19 emergency acts fund reporting through December 31, 2020	No	Not Applicable. UKRF did not request or receive an extension related to the submission of its Single Audit.

**APPENDIX B: UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION OMB FLEXIBILITY
SURVEY RESPONSE**

University of Kentucky Research Foundation OMB Flexibility Survey Response

Question No.	During the COVID-19 Pandemic, has your organization...	Awardee Response
1	Issued any subawards to grantees with expired SAM.gov registrations?	No
2	Rescinded and resubmitted grant proposals as a result of extended proposal deadlines?	No
3	Made any changes to its ACM\$ draw-down methodology?	No
4	Submitted more no-cost extension requests than it typically does in an average 6-month period?	Yes
5	Established a new policy for charging salaries to projects during unexpected or extraordinary circumstances?	Yes
6	Allowed salaries, stipends, and benefits to continue to be charged even if the personnel were unable to conduct the research?	Yes
7	Allowed researchers to continue to perform on-campus research?	Yes
8	Allowed researchers to perform sponsored research off-campus?	Yes
9	Allowed personnel to perform research during the academic year that would typically be performed during a summer month?	No
10	Issued any additional guidance regarding how employees should track or certify effort while the campus was closed?	Yes
11	Issued any guidance limiting an employee's ability to book NSF sponsored travel?	Yes
12	Required students and/or employees to cancel previously planned trips?	Yes
13	Established a new policy for charging costs associated with the cancellation of events or travel?	Yes
14	Received any travel credits that related to airfare, lodging, or other travel expenses charged to NSF funding sources?	Yes
15	Hosted any on-campus NSF Research Experience for Undergraduate (REU) programs/activities?	Yes
16	Been required to cancel or re-schedule any NSF REU programs/activities?	Yes
17	Been required to adapt previously planned NSF REU programs/activities to a virtual format?	Yes
18	Been required to quarantine any students scheduled to participate in an NSF REU program?	Yes
19	Been required to cancel or re-schedule any non-REU NSF sponsored on-campus events?	Yes
20	Used NSF funding to sponsor virtual conferences or other virtual events/programs?	Yes
21	Been required to incur any unusual travel costs to ensure students/employees were able to return to the U.S. after performing NSF sponsored travel (such as extended travel times due to lack of flight availability/quarantine requirements, or costs incurred to charter an aircraft)?	No
22	Used NSF funding to purchase COVID-19 related goods/services (such as PPE, cleaning services, etc.) to allow students/employees to continue performing research?	No
23	Changed the scope or objectives of any of the research being performed on any of your NSF Awards?	No
24	Rebudgeted any NSF award participant support cost funding?	Yes
25	Issued any additional subaward agreements to perform NSF Award research?	Yes
26	Allowed employees to incur costs greater than 90 days before an NSF grant became effective?	Yes
27	Issued any guidance regarding authority to rebudget funding during the Pandemic?	Yes
28	Made any changes to its procurement policies or procedures?	No
29	Used NSF funding to purchase equipment?	Yes
30	Continued to perform annual inventory reporting?	Yes
31	Applied indirect costs using a provisional negotiated indirect cost rate?	No
32	Made any changes to the manner in which it identifies and classifies direct/indirect costs?	No
33	Implemented any additional flexibilities related to submitting final project reports or other grant close-out procedures as a result of COVID?	No
34	Issued any subawards to grantees performing research on NSF sponsored awards who did not have a Single Audit Report published for the most recent audit year?	No
35	Used NSF funding to purchase COVID-19 related goods/services (such as PPE, cleaning services, etc.) that were donated to hospitals, medical centers, and/or other local entities serving the public for COVID-19 response?	No

APPENDIX B

Question No.	During the COVID-19 Pandemic, has your organization...	Awardee Response
36	Donated any medical equipment purchased with NSF funds prior to March 2020 to hospitals, medical centers, and/or other local entities serving the public for COVID-19 response?	No
37	Received a Paycheck Protection Program loan or any Coronavirus Aid, Relief, and Economic Security (CARES) Act program funding?	Yes
38	Provided any guidance to subawardees regarding how personnel costs can/should be billed during the Pandemic?	No
39	Identified and exhausted all non-Federal funding sources to sustain your workforce before claiming costs for salaries that did not directly benefit NSF awards?	Yes
40	Implemented any steps to save overall operational costs (such as rent renegotiations)?	Yes
41	Implemented any changes in response to the updated solicitation guidance included in NSF 18-515, 18-584, 20-545, 20-546, or 20-562?	Yes
42	Received any NSF awards to perform research that involves human-subjects prior to receiving Institutional Review Board (IRB) approval?	No
43	Received any NSF awards to perform research that involves vertebrate animals prior to receiving approval from an Institutional Animal Care and Use Committee (IACUC)?	No
44	Operated an NSF sponsored Major Facility?	No
45	Allowed any Principal Investigators to disengage from an NSF Award for more than 3 months?	No
46	Changed the cost-sharing requirements previously established for any NSF awards?	No
47	Encumbered any real property with Federal funds?	No
48	Provided resources or oversight of any NSF Small Business Innovation Research Program (SBIR) or Small Business Technology Transfer (STTR) Awards?	No

Question No.	During the COVID-19 Pandemic, has your organization used NSF Funding to cover...	Response
49	Expenses associated with fines, penalties, or other damages?	No
50	Fund-raising expenses?	No
51	Costs of housing (e.g. depreciation, maintenance, utilities, furnishings, rent), housing allowances or personal living expenses?	No
52	Insurance or indemnification expenses?	No
53	Costs of memberships in civic or community organizations?	No
54	Costs associated with selling and marketing (other than costs allowed under 2 CFR §200.421 Advertising and public relations)?	No
55	Dependent care costs for trips greater than 6 months?	No
56	Costs of entertainment, amusement, diversion or social activities (with programmatic purpose)?	No
57	Severance payments to foreign nationals that exceed the amounts customary in the US?	No
58	Salary earned at a rate higher than an employee's established institutional base salary?	No
59	Unbudgeted administrative salary costs?	No
60	Costs incurred to purchase real property or to perform construction activities related to improving capital assets?	No
61	Costs incurred to allow employees to perform research or otherwise work from home?	No

APPENDIX C: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0420F0642
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION

SCHEDULE OF QUESTIONED COSTS BY FINDING

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Unallowable Expenses	<u>\$0</u>	<u>\$33,151</u>	<u>\$33,151</u>
Total		<u>\$0</u>	<u>\$33,151</u>	<u>\$33,151</u>

APPENDIX D: UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION RESPONSE

**UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION RESPONSE TO THE
PERFORMANCE AUDIT OF THE UNIVERSITY OF KENTUCKY RESEARCH
FOUNDATION'S IMPLEMENTATION OF THE OFFICE OF MANAGEMENT AND BUDGET
CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

The University of Kentucky Research Foundation has a strong internal control structure and thorough policies and procedures needed to support allowability of expenses charged to sponsored programs. The majority of questioned costs were reasonable and necessary to complete the award objectives. There was an 8-month delay in receipt of leased isotopically enriched ^{72}Ge for inelastic neutron scattering measurement relating to the project, leading to a disproportionate use of the materials within the remaining budget period.

UKRF is conducting a thorough review of the support structure for determination and documentation of compliance with applicable costing principles to identify opportunities for improvement and implement action plans as necessary.

The total questioned costs were refunded to the National Science Foundation prior to the end of the performance audit engagement.

APPENDIX E: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

The NSF OIG Office of Audits engaged Cotton & Company LLP (referred to as “we”) to conduct a limited-scope performance audit, the objective of which was to determine whether UKRF used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether UKRF was complying with the associated guidelines.

To complete this limited-scope performance audit we performed the following steps, as outlined within our NSF OIG-approved audit plan:

- Gained an understanding of the audit requirements, which included developing an audit program that ensured the audit team would complete all of the steps outlined in the approved audit plan.
 - This included determining whether internal controls and/or information systems were significant to the audit objectives.
- Gained an understanding of applicable Federal⁶ and NSF criteria,⁷ including the following guidance that OMB and NSF published in response to the COVID-19 pandemic:
 - [M-20-17 Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#)
 - [NSF Implementation of OMB Memorandum M-20-17](#)
 - [M-20-20 Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the Novel Coronavirus \(COVID-19\)](#)
 - [NSF Implementation of OMB Memorandum M-20-20](#)
 - [M-20-26 Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#)
 - [NSF Implementation of OMB Memorandum M-20-26](#)
 - [Important Notice No. 146 - NSF Letter to Community Regarding COVID-19](#)
 - [Impact on Existing Deadline Dates](#)
 - [Impact on Solicitations](#)
 - [NSF Guidance on the Effects of COVID-19 on Human Subjects Research](#)
 - [NSF Guidance on the Effects of COVID-19 on Vertebrate Animal Research](#)
 - [NSF Guidance for Major Facilities and Contracts Regarding COVID-19](#)
 - [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF Proposers and Awardees](#)

⁶ We assessed UKRF’s compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 2 CFR Part 220, *Cost Principles for Educational Institutions* (OMB Circular A-21); and 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110), as appropriate.

⁷ We assessed UKRF’s compliance with *NSF PAPPGs* 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, 19-1, and 20-1 and with NSF award-specific terms and conditions, as appropriate.

- [FAQS About the Coronavirus Disease 2019 \(COVID-19\) for NSF SBIR and STTR Grantees](#)
- [FAQS About the Coronavirus Disease 2019 \(COVID-19\) for NSF Major Facility Cooperative Agreement Recipients](#)
- [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for REU Sites, RET Sites, IRES Sites, and Similar Activities](#)
- [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF Panelists](#)
 - In planning and performing this audit, we considered UKRF’s internal controls, within the audit’s scope, solely to understand whether the policies and procedures UKRF has in place ensure charges against NSF awards comply with relevant Federal regulations and NSF award terms.
- Requested, obtained, and reviewed UKRF documentation to ensure we had sufficient, appropriate documentation to allow us to schedule applicable interviews and to select our audit sample.
 - Our work required us to rely on computer-processed data obtained from UKRF and NSF OIG. NSF OIG provided award data that UKRF reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that UKRF provided by (a) comparing the costs charged to NSF awards per UKRF’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that UKRF submitted to NSF during the audit’s period of performance; and (b) reviewing the parameters that UKRF used to extract transaction data from its accounting systems. As we did not identify any discrepancies between the amounts supported by UKRF’s general ledger and the amounts that UKRF claimed per NSF’s ACM\$ system, we found UKRF’s computer-processed data to be sufficiently reliable for the purposes of the audit.
 - We found NSF’s computer-processed data to be sufficiently reliable for the purposes of this audit. We did not review or test whether the data contained in, or the controls over, NSF’s databases were accurate or reliable; however, the independent auditor’s report on NSF’s financial statements for FY 2020 found no reportable instances in which NSF’s financial management systems did not substantially comply with applicable requirements.
 - UKRF provided detailed transaction-level data to support all costs charged to NSF awards during the period. This data resulted in a total audit universe of \$9,857,078 in costs claimed on 136 NSF awards.

- Gained an understanding of whether and how UKRF implemented the OMB/NSF administrative flexibilities by:
 - Analyzing UKRF’s responses to the COVID-19 flexibility surveys included in **Appendix A** and **Appendix B**.
 - Summarizing all guidance, policies, and procedures that UKRF issued in response to the COVID-19 pandemic.
 - Conducting walkthroughs and interviews with UKRF staff to evaluate how UKRF implemented the COVID-19 flexibilities and how that implementation fit within UKRF’s overall grant management environment.
- Brainstormed and executed a series of data analytic tests aimed at identifying expenses that UKRF incurred in accordance with the COVID-19 flexibilities, or that we identified as high-risk for other related reasons.
- Judgmentally selected 40 transactions to test based on the results of our data analytic tests, as approved by NSF OIG.
- Reviewed the supporting documentation that UKRF provided and requested additional documentation as necessary to ensure that we obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction.
 - The goals of this testing included evaluating whether the sampled transactions related to UKRF’s implementation of the COVID-19 flexibilities and whether the transactions were allowable, allocable, reasonable, and in conformity with applicable Federal guidance, NSF terms and conditions, and COVID-19 flexibility guidelines.

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided a discussion draft report to UKRF personnel to ensure UKRF was aware of our potential finding and to provide UKRF with an opportunity to submit any additional documentation available to support the questioned costs.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, 2018 Revision, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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