Performance Audit of Incurred Costs – San Francisco State University
REPORT PREPARED BY COTTON & COMPANY ASSURANCE AND ADVISORY, LLC
# AT A GLANCE

Performance Audit of Incurred Costs – San Francisco State University  
Report No. OIG 22-1-007  
June 22, 2022

## AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company Assurance and Advisory, LLC (C&C) to conduct a performance audit of costs that San Francisco State University (SFSU) incurred on 35 awards as of September 2, 2021. The auditors tested more than $1.9 million of the approximately $13.8 million of costs claimed to NSF. The audit objective was to determine if costs claimed by SFSU on NSF awards were allowable, allocable, reasonable, and in compliance with NSF awards terms and conditions and federal financial assistance requirements. A full description of the audit’s objective, scope, and methodology is attached to the report as Appendix B.

## AUDIT RESULTS

The report highlights concerns about SFSU’s compliance with certain federal and NSF award requirements, NSF award terms and conditions, and SFSU policies. The auditors questioned $260 of unallowable expenses claimed by SFSU during the audit period. The auditors also identified three compliance-related findings for which there were no questioned costs: non-compliance with NSF terms and conditions, non-compliance with SFSU policies, and insufficient controls related to the application of indirect cost rates. In addition to the four findings, the audit report included one area for improvement for SFSU to consider related to timeliness of effort certification. 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 4 findings and one area for improvement in the report with associated recommendations for NSF to resolve the questioned costs and to ensure SFSU strengthens administrative and management controls.

## AUDITEE RESPONSE

SFSU concurred with all of the findings and agreed to reimburse NSF for $260 in questioned costs. SFSU’s response is attached in its entirety to the report as Appendix A.

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

DATE: June 22, 2022

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. 22-1-007, San Francisco State University

This memorandum transmits the Cotton & Company Assurance and Advisory, LLC (C&C) report for the audit of costs charged on 35 awards by San Francisco State University (SFSU) to its sponsored agreements with the National Science Foundation as of September 2, 2021. The audit encompassed more than $1.9 million of the approximately $13.8 million claimed to NSF during the period. The audit objective was to determine if costs claimed by SFSU on NSF awards were allowable, allocable, reasonable, and in compliance with NSF awards terms and conditions and federal financial assistance requirements. A full description of the audit’s objective, scope, and methodology is attached to the report as Appendix B.

Please coordinate with our office during the 6-month resolution period, as specified by Office of Management and Budget 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 Jae Kim at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

cc:
Stephen Willard          Karen Marrongelle          Charlotte Grant-Cobb          Ken Lish
Dan Reed                Christina Sarris          Allison Lerner               Jae Kim
Victor McCrary          Teresa Grancorvitz       Lisa Vonder Haar             Harrison Ford
John Veysey             Alex Wynnyk              Ken Chason                   Louise Nelson
Ann Bushmiller          Rochelle Ray            Dan Buchtel                   Karen Scott
EXECUTIVE SUMMARY

The Cotton & Company audit team determined that San Francisco State University (SFSU) could improve its oversight surrounding the allocation and documentation of expenses charged to NSF awards to ensure costs claimed are reasonable, allocable, and allowable in accordance with all federal and NSF regulations, NSF award terms and conditions, and SFSU policies. Specifically, the audit report includes four findings and one area for improvement, with a total of $260 in questioned costs.

AUDIT OBJECTIVES

The National Science Foundation Office of Inspector General engaged Cotton & Company Assurance and Advisory, LLC to conduct a performance audit of costs that SFSU incurred on 35 awards that either ended or were close to the end of their period of performance. The audit objectives included evaluating SFSU’s award management environment to determine whether any further audit work was warranted and performing additional audit work, as determined appropriate. We have attached a full description of the audit's objectives, scope, and methodology as Appendix B.

AUDIT CRITERIA

The audit team assessed SFSU’s compliance with relevant federal regulations (i.e., 2 Code of Federal Regulations [CFR] 200 and 2 CFR 220); NSF Proposal and Award Policies and Procedures Guides (PAPPGs) 15-1, 16-1, 17-1, 18-1, 19-1, and 20-1; NSF award terms and conditions; and SFSU policies and procedures. The audit team included references to relevant criteria within each finding and defined key terms within the Glossary located in Appendix E.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

AUDIT FINDINGS

As summarized in Appendix C, the auditors identified and questioned $260 of direct and indirect costs that SFSU inappropriately claimed during the audit period, including:

- $260 of unallowable expenses

The audit report also includes three compliance-related findings for which the auditors did not question any costs:

- Non-compliance with NSF terms and conditions
- Non-compliance with SFSU procedures
- Insufficient controls related to the application of indirect cost rates

In addition to the four findings, the audit report includes one area for improvement for SFSU to consider:

- Timeliness of effort certifications

RECOMMENDATIONS

The audit report includes six recommendations and one consideration for NSF’s Director of the Division of Institution and Award Support related to resolving the $260 in questioned costs and ensuring SFSU strengthens its award management environment, as summarized in Appendix D.

AUDITEE RESPONSE

SFSU concurred with the findings throughout the audit report and agreed to reimburse NSF for the full $260 in questioned costs. SFSU’s response is attached, in its entirety, to the report as Appendix A.
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Abbreviations

ACM$  Award Cash Management Service
AVP  Associate Vice President
CFR  Code of Federal Regulations
F&A  Facilities & Administrative Costs
FY  Fiscal Year
GAGAS  Generally Accepted Government Auditing Standards
GL  General Ledger
NICRA  Negotiated Indirect Cost Rate Agreement
NSF  National Science Foundation
OIG  Office of Inspector General
ORSP  Office of Research and Sponsored Programs
PAPPG  Proposal and Award Policies and Procedures Guide
PI  Principal Investigator
RAQ  Risk Assessment Questionnaire
SFSU  San Francisco State University
T&Cs  Terms and Conditions
BACKGROUND

The National Science Foundation is an independent federal agency created “to 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). NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions throughout the United States.

Most federal agencies have an Office of Inspector General that provides independent oversight of the agency’s programs and operations. Part of NSF OIG’s mission is to conduct audits and investigations to prevent and detect fraud, waste, and abuse. In support of this mission, NSF OIG may conduct independent and objective audits, investigations, and other reviews to promote the economy, efficiency, and effectiveness of NSF programs and operations, as well as to safeguard their integrity. NSF OIG may also hire a contractor to provide these audit services.

NSF OIG engaged Cotton & Company Assurance and Advisory, LLC (referred to as “we”) to conduct a performance audit of costs incurred by San Francisco State University (SFSU). SFSU is a public university located in San Francisco, California. In Fiscal Year (FY) 2020-2021, SFSU reported more than $62 million in external, non-state funding support, with $30.9 million of that amount obtained from grant and contract funding sources—including NSF—as illustrated in Figure 1.

Figure 1: SFSU’s FY 2020-2021 External, Non-State Support

Source: The chart data is available on SFSU's website [https://puboff.sfsu.edu/sfsufact/archive/2021/money]. The photo of SFSU’s campus is publicly available on SFSU’s website [https://future.sfsu.edu/explore].
**AUDIT SCOPE**

This performance audit—conducted under Order No. 140D0421F0618—was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report and was conducted in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States.

The objectives of this performance audit were to evaluate SFSU’s award management environment, determine whether any further audit work was warranted, and perform any additional audit work, as determined appropriate. Appendix B provides detailed information regarding the audit scope and methodology used for this engagement.

As illustrated in Figure 2, SFSU provided general ledger (GL) data to support the approximately $13.8 million in expenses it claimed on 35 NSF awards from each award’s inception through September 2, 2021.

**Figure 2: Costs SFSU Claimed on 35 NSF Awards**

![Figure 2: Costs SFSU Claimed on 35 NSF Awards](chart)

*Source: Auditor analysis of accounting data SFSU provided, illustrating the total costs ($13,771,545) by expense type, using financial information to support costs incurred on NSF awards during the audit period. Other costs include other direct costs and consultant services.*

We judgmentally selected 50 transactions totaling $1,933,112 (see Table 1) and evaluated supporting documentation to determine whether the costs claimed on the NSF awards were allocable, allowable, and reasonable, and whether they were in conformity with

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1 The total award-related expenses that SFSU reported in its GL exceeded the $13,768,380 reported in NSF’s Award Cash Management Service (ACM$). However, because the GL data materially reconciled to NSF’s ACM$ records, we determined that the GL data was appropriate for the purposes of this engagement.

2 The $1,933,112 represents the total value of the 50 transactions selected for transaction-based testing. It does not represent the dollar base of the total costs reviewed during the audit.
NSF award terms and conditions, organizational policies, and applicable federal financial assistance requirements.

### Table 1: Summary of Selected Transactions

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Transaction Count</th>
<th>Expense Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>6</td>
<td>$1,162,603</td>
</tr>
<tr>
<td>Subawards</td>
<td>5</td>
<td>379,916</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>9</td>
<td>122,259</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>6</td>
<td>80,990</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>6</td>
<td>55,675</td>
</tr>
<tr>
<td>Travel</td>
<td>5</td>
<td>34,498</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>2</td>
<td>31,884</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>5</td>
<td>31,468</td>
</tr>
<tr>
<td>Consultant Services</td>
<td>4</td>
<td>20,410</td>
</tr>
<tr>
<td>Participant Support Costs</td>
<td>2</td>
<td>13,409</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>$1,933,112</strong></td>
</tr>
</tbody>
</table>

*Source: Auditor summary of selected transactions.*

### AUDIT RESULTS

We identified and questioned $260 in costs that SFSU charged to one NSF award. We also identified expenses that SFSU charged to 10 NSF awards that did not result in questioned costs, but resulted in non-compliance with federal, NSF, or SFSU-specific policies and procedures. Finally, we identified one area in which we did not note any instances of non-compliance, but in which SFSU should consider strengthening its controls to ensure it appropriately charges salary costs to NSF awards in the future. See Table 2 for a summary of questioned costs by finding area, Appendix C for a summary of questioned costs by NSF award, and Appendix D for a summary of all recommendations.

### Table 2: Summary of Questioned Costs by Finding Area

<table>
<thead>
<tr>
<th>Finding Description</th>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unallowable Expenses</td>
<td>$260</td>
</tr>
<tr>
<td>Non-Compliance with NSF Terms and Conditions</td>
<td>-</td>
</tr>
<tr>
<td>Non-Compliance with SFSU Procedures</td>
<td>-</td>
</tr>
<tr>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$260</strong></td>
</tr>
</tbody>
</table>

*Source: Auditor summary of findings identified.*

We made six recommendations for NSF’s Director of the Division of Institution and Award Support related to resolving the $260 in questioned costs and ensuring SFSU strengthens its administrative and management procedures for monitoring federal funds related to the four findings included in Table 2. We communicated the results of our audit and the related

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3 The expense amounts reported represent the total dollar value of the transactions selected for our sample; they do not include the total fringe benefit or indirect costs applied to the sampled transactions, which we also tested for allowability.
findings and recommendations to SFSU and NSF OIG. We included SFSU’s response to this report in its entirety in Appendix A.

**FINDING 1: UNALLOWABLE EXPENSES**

SFSU charged one NSF award for $260 in travel expenses that were not reasonable or necessary for the performance of the award, as required for the costs to be allowable under federal regulations and NSF PAPPGs. Specifically:

<table>
<thead>
<tr>
<th>Expense Date</th>
<th>NSF Award No.</th>
<th>Amount</th>
<th>Unallowable Expenses Associated With:</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2017</td>
<td></td>
<td>$260</td>
<td>Travel Insurance Not Used</td>
<td>a</td>
</tr>
</tbody>
</table>

*Source: Auditor summary of identified exception.*

a) In March 2017, SFSU charged NSF Award No. for $260 in expenses that a traveler claimed for a cancelled flight. However, because SFSU had purchased travel insurance for the flight, it should have requested a refund for this expense. Because SFSU elected to purchase a new flight rather than reschedule and/or claim reimbursement for the cancelled flight, the cost of the cancelled airfare is unallowable.

**Conclusion**

SFSU’s travel policies and procedures did not ensure that travelers appropriately used the travel insurance purchased to claim reimbursement for costs associated with cancelled travel. We are therefore questioning $260 of unallowable travel expenses charged to one NSF award, as illustrated in Table 4.

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4 According to 2 CFR § 200.403, *Factors affecting allowability of costs*, (a), in order for a cost to be allowable, it must be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles. Additionally, 2 CFR § 200.406 states that applicable credits, such as purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges, must be credited to the federal award either as a cost reduction or cash refund, as appropriate.

5 NSF PAPPG 16-1, Part II, Chapter V, Section A, *Basic Considerations*, 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. Additionally, Part II, Chapter III, Section D.5 states that purchase discounts, rebates, allowances, credits resulting from overhead rate adjustments and other credits relating to any allowable cost received by or accruing to the grantee shall be credited against NSF award costs if the award has not been financially closed out.
Table 4: Finding 1 Summary: Unallowable Expenses

<table>
<thead>
<tr>
<th>NSF Award No.</th>
<th>Description</th>
<th>Fiscal Year(s)</th>
<th>Questioned Costs</th>
<th>SFSU Agreed to Reimburse</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2017 Cancelled Airfare</td>
<td>2017</td>
<td>$173 $87 $260</td>
<td>$260</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$173 $87 $260</strong></td>
<td><strong>$260</strong></td>
</tr>
</tbody>
</table>

Source: Auditor summary of identified exception.

Recommendations

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

1.1 Direct SFSU to provide documentation supporting that it has repaid or otherwise credited the $260 of questioned travel expenses for which it has agreed to reimburse NSF.

1.2 Direct SFSU to strengthen its administrative and management procedures for claiming reimbursement for costs associated with cancelled travel when the traveler purchased travel insurance using sponsored funding. Specifically, SFSU’s updated policies should provide travelers with instructions regarding when and how to file travel insurance claims to ensure that SFSU obtains refunds for costs associated with cancelled travel and removes these costs from the sponsored projects.

San Francisco State University Response: SFSU concurred with this finding and agreed to reimburse NSF for the full $260 in unallowable expenses. Although SFSU believes it has internal controls in place to provide reasonable assurance that expenses charged to federal awards are allowable, allocable, reasonable, and necessary, it stated that it will strengthen its procedures for reimbursement of costs associated with cancelled trips when the traveler purchases travel insurance and charges the purchase to a sponsored program.

Auditors’ Additional Comments: Our position regarding this finding has not changed.

**FINDING 2: NON-COMPLIANCE WITH NSF TERMS AND CONDITIONS**

We identified two instances in which SFSU did not comply with NSF’s terms and conditions (T&Cs) related to timely reporting, as summarized in Table 5.

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6 According to NSF’s Research Terms and Conditions, Agency Specific Requirements, Article 8.a., effective November 12, 2020, annual project reports are required for both standard and continuing grants and should be submitted electronically, via Research.gov, at least 90 days prior to the end of the current budget period.
**Table 5: Non-Compliance with NSF T&Cs**

<table>
<thead>
<tr>
<th>NSF Award No.</th>
<th>Annual Report Period</th>
<th>Report Due Date per eJacket(^7)</th>
<th>Report Due Date per NSF T&amp;Cs</th>
<th>Date Submitted</th>
<th>NSF Compliance Exception</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8/1/2019-7/31/2020</td>
<td>5/2/2020</td>
<td>10/29/2020</td>
<td>3/2/2022</td>
<td>NSF Reports Not Submitted Timely</td>
<td>a</td>
</tr>
</tbody>
</table>

*Source: Auditor summary of identified exceptions.*

\(a\) The Principal Investigator (PI) of NSF Award No. did not submit all of the required project reports by the due dates set by NSF. Specifically, the PI did not submit two of the required project reports (i.e., the annual report for the period from August 1, 2019, to July 31, 2020, and the annual report for the period from August 1, 2020, to July 31, 2021) until after we requested the information as part of our audit testing\(^8\).

**Conclusion**

SFSU did not have adequate policies or procedures in place to ensure that personnel submit annual project reports to NSF in accordance with NSF T&Cs. Because these instances of non-compliance did not directly result in SFSU charging unallowable costs to NSF awards, we are not questioning any costs related to these exceptions. However, we are noting compliance findings for the two instances in which SFSU did not comply with NSF’s annual reporting T&Cs, as illustrated in Table 6.

**Table 6: Finding 2 Summary: Non-Compliance with NSF T&Cs**

<table>
<thead>
<tr>
<th>NSF Award No.</th>
<th>Compliance Exception Identified</th>
<th>Fiscal Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Report Not Submitted by PI</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Annual Report Not Submitted by PI</td>
<td>2021</td>
</tr>
</tbody>
</table>

*Source: Auditor summary of identified exceptions.*

**Recommendation**

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

2.1 Direct SFSU to update its current procedures and internal controls to ensure that Principal Investigators submit annual reports to NSF in accordance with NSF’s terms and conditions. Updated procedures should require SFSU to verify the

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\(7\) NSF’s eJacket system, through which the audit team is able to access NSF grant information, identified these reporting due dates for the required project reports.

\(8\) SFSU provided documentation to support that, in response to our audit requests, it submitted the required report for the period from August 1, 2019, through July 31, 2020, in March 2022 and the required report for the period from August 1, 2020, through July 31, 2021, in April 2022.
submission of the annual reports with both the Principal Investigators and NSF during the project period.

**San Francisco State University Response:** SFSU concurred with this finding and noted that it will update its current procedures and internal controls to ensure that PIs submit annual reports to NSF in accordance with NSF’s T&Cs.

**Auditors’ Additional Comments:** Our position regarding this finding has not changed.

**FINDING 3: NON-COMPLIANCE WITH SFSU PROCEDURES**

SFSU did not always comply with its subaward and procurement procedures when incurring costs charged to NSF awards.

**Non-Compliance with SFSU Subaward Procedures**

We identified one instance in which SFSU did not comply with its internal subaward procedures, which requires SFSU to complete a Subrecipient Risk Assessment Questionnaire (RAQ) before executing a subaward, as illustrated in Table 7.

<table>
<thead>
<tr>
<th>Expense Date</th>
<th>NSF Award No.</th>
<th>Subaward Procedure Compliance Exception</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2020</td>
<td></td>
<td>Lack of Subawardee Risk Assessment</td>
<td>a</td>
</tr>
</tbody>
</table>

*Source: Auditor summary of identified exception.*

a) In June 2019, SFSU established a subaward with the University of California, Merced to perform work on NSF Award No. [redacted]. However, SFSU did not appropriately complete a Subrecipient RAQ before issuing the subaward.

**Non-Compliance with SFSU Procurement Procedures**

We identified two instances in which SFSU did not comply with its internal procurement procedures, which requires SFSU to advertise consultant jobs if the total expenditures are expected to exceed $1,000, as illustrated in Table 8.

<table>
<thead>
<tr>
<th>Expense Date</th>
<th>NSF Award No.</th>
<th>Procurement Procedure Compliance Exception</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2018</td>
<td></td>
<td>Purchase Not Competitively Bid</td>
<td>a</td>
</tr>
<tr>
<td>May 2021</td>
<td></td>
<td>Purchase Not Competitively Bid</td>
<td>b</td>
</tr>
</tbody>
</table>

*Source: Auditor summary of identified exceptions.*

9 According to SFSU’s Subrecipient Monitoring Review Procedure, prior to issuing an agreement, the grant support coordinator must complete a Subrecipient RAQ.

10 According to SFSU’s Practice Directive 156.12, Special Consultant-Independent Contractor Hiring Procedures, once approved in the Human Resources Department, the Independent Contractor documents will be forwarded to the Purchasing Department for processing. If the total expenditure is expected to exceed $1,000, the job must be advertised in the State Contracts Register or be granted an exemption from advertising.
a) In April 2018, SFSU charged NSF Award No. [redacted] for $3,000 in costs incurred to obtain consultant services. However, SFSU did not appropriately advertise the consultant position before awarding the contract.

b) In May 2021, SFSU charged NSF Award No. [redacted] for $7,498 in costs incurred to obtain consultant services. However, SFSU did not appropriately advertise the consultant position before awarding the contract.

Conclusion

SFSU did not have adequate controls in place to ensure that it consistently complied with, or documented its compliance with, its subaward and procurement procedures. Because these instances of non-compliance did not directly result in SFSU charging unallowable costs to NSF awards, we are not questioning any costs related to these exceptions. However, we are noting compliance findings for the three instances in which SFSU did not comply with its internal procedures when charging costs to two NSF awards, as illustrated in Table 9.

Table 9: Finding 3 Summary: Non-Compliance with SFSU Procedures

<table>
<thead>
<tr>
<th>NSF Award No.</th>
<th>Compliance Exception Identified</th>
<th>Fiscal Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-Compliance with SFSU Subaward Procedure</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>Non-Compliance with SFSU Procurement Procedure</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Non-Compliance with SFSU Procurement Procedure</td>
<td>2021</td>
</tr>
</tbody>
</table>

Source: Auditor summary of identified exceptions.

Recommendations

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

3.1 Direct SFSU to strengthen the administrative and management controls it has in place for issuing subawards to ensure that it completes a Subrecipient Risk Assessment Questionnaire for each subawardee prior to subaward execution, consistent with its subaward procedures.

3.2 Direct SFSU to (i) strengthen its administrative and management controls to require the procurement office to confirm that it competitively bid consultant services before executing consulting agreements for services in excess of $1,000, or (ii) update the Special Consultant-Independent Contractor Hiring Procedures on its website to be consistent with its current procurement approach.

San Francisco State University Response: SFSU concurred with this finding, agreeing that it did not comply with the procedures cited. SFSU stated that it will update the consultant procedures on its website to remove the requirement to advertise consulting positions that exceed the $1,000 threshold, as allowed by the California State University Chancellor’s Office.
Auditors’ Additional Comments: Our position regarding this finding has not changed.

**FINDING 4: INSUFFICIENT CONTROLS RELATED TO THE APPLICATION OF INDIRECT COST RATES**

SFSU did not have sufficient controls in place to ensure it consistently applied predetermined indirect costs using all of the rates included within its negotiated indirect cost rate agreements (NICRAs), as required by federal and NSF guidance, or that it received approval from a dean and the Associate Vice President (AVP) of SFSU’s Office of Research and Sponsored Programs (ORSP) to apply indirect costs at rates lower than the federally approved NICRA rates, as permitted by SFSU's Facilities & Administrative (F&A) costs policy.

Specifically, SFSU applied the predetermined indirect cost rate in effect as of the NSF grant’s award date for the entire period of performance, rather than adjusting the rate applied each year to be consistent with the rates included in SFSU’s NICRA. Because SFSU did not provide any documentation to support that it obtained approval from a dean and ORSP before using the lower rates, we determined that SFSU did not appropriately apply indirect costs to nine NSF awards in one or more fiscal years, as summarized in Table 10.

**Table 10: Predetermined Indirect Cost Rates Applied to NSF Awards**

<table>
<thead>
<tr>
<th>NSF Award Number</th>
<th>Award Date</th>
<th>Fiscal Year(s)</th>
<th>Appropriate Rates (%)</th>
<th>Rate Applied (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4/7/2016</td>
<td>2016</td>
<td>54.0</td>
<td>54.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017</td>
<td>54.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018-2022</td>
<td>55.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6/23/2016</td>
<td>2016</td>
<td>54.0</td>
<td>54.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017</td>
<td>54.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018-2022</td>
<td>55.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5/21/2016</td>
<td>2016</td>
<td>54.0</td>
<td>54.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017</td>
<td>54.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018-2022</td>
<td>55.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8/23/2016</td>
<td>2017</td>
<td>54.5</td>
<td>54.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018-2022</td>
<td>55.0</td>
<td></td>
</tr>
</tbody>
</table>

11 According to 2 CFR 200, Appendix III, Section C.7., Fixed Rates for the Life of the Sponsored Agreement, federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the federal award.

12 NSF requires institutions of higher education to use the negotiated indirect cost rate in effect as of the date of the award throughout the life of the award. See NSF PAPPGs 16-1, 18-1, and 19-1, Part I, Chapter II, Section C.2.g.(viii), Indirect Costs.

13 SFSU’s F&A Costs Policy & Procedure notes that a PI’s request to apply an indirect cost rate that is lower than the federally negotiated rate must be approved by a dean and the AVP of ORSP.

14 SFSU’s NICRA dated March 16, 2016, established predetermined indirect cost rates of 54.00 percent for on-campus organized research from July 1, 2015, to June 30, 2016; 54.50 percent for on-campus organized research from July 1, 2016, to June 30, 2018; and 55.00 percent for on-campus organized research from July 1, 2018, to June 30, 2020. SFSU’s NICRA dated January 22, 2021, established a predetermined indirect cost rate of 55.00 percent for on-campus organized research from July 1, 2020, to June 30, 2025.
Conclusion

SFSU did not have sufficient internal controls in place to ensure that it received and documented approval from a dean and the ORSP AVP before applying indirect costs using only one of the rates included within the NICRA applicable at the time each NSF grant was awarded. Because these instances did not directly result in SFSU charging unallowable costs to NSF awards, we are not questioning any costs related to these exceptions. However, SFSU’s current process could cause it to charge unallowable costs to NSF awards if rates were to decrease in future NICRAs. We are therefore noting compliance exceptions related to the 10 NSF awards for which SFSU did not apply indirect costs consistent with its NICRA and/or did not document that it received approval to use inconsistent rates, as illustrated in Table 11.

Table 11: Finding 4 Summary: Insufficient Controls Related to the Application of Indirect Cost Rates

<table>
<thead>
<tr>
<th>NSF Award Number</th>
<th>Compliance Exception Identified</th>
<th>Fiscal Year(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2018-2022</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2018-2022</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2018-2022</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2018-2022</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2018-2022</td>
</tr>
<tr>
<td></td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>2018-2022</td>
</tr>
</tbody>
</table>

Source: Auditor summary of identified exceptions.
Recommendation

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

4.1 Direct SFSU to update its current award set-up practices to (i) ensure that it sets up accounts for NSF awards such that each account applies indirect costs using all of the rates established in the Negotiated Indirect Cost Rate Agreement in effect as of the date of grant award, and/or (ii) document that it received approval from a dean and the Office of Research and Sponsored Programs to apply indirect costs using lower rates.

San Francisco State University Response: SFSU concurred with this finding, noting that it will update its current award set-up practices to ensure that indirect cost rates applied to NSF awards are consistent with the rates established in its NICRA, and/or that it documents it received approval from both a dean and ORSP if it elects to apply a reduced indirect cost rate.

Auditors’ Additional Comments: Our position regarding this finding has not changed.

Area for Improvement: Timeliness of Effort Certifications

SFSU’s Effort Reporting Policy\(^\text{15}\) states that faculty must certify their time and effort following each academic period, but it does not require the faculty to perform this certification within a specific timeframe after the period ends. As a result, we identified five effort reports that faculty certified more than one academic period after the effort took place, including two effort reports (identified with asterisks in Table 12) that faculty did not certify until we requested the effort reports as part of our audit, as summarized in Table 12.

Table 12: Untimely Effort Reporting

<table>
<thead>
<tr>
<th>NSF Award No.</th>
<th>Effort Reporting Period</th>
<th>Date Effort Was Certified</th>
<th>No. of Days After Reporting Period Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6/5/2017 – 8/15/2017</td>
<td>3/10/2022*</td>
<td>1,668</td>
</tr>
<tr>
<td></td>
<td>8/19/2020 to 1/4/2021</td>
<td>9/17/2021</td>
<td>256</td>
</tr>
<tr>
<td></td>
<td>7/1/2020 –12/31/2020</td>
<td>7/14/2021</td>
<td>195</td>
</tr>
<tr>
<td></td>
<td>1/20/2021- 5/28/2021</td>
<td>11/9/2021*</td>
<td>165</td>
</tr>
</tbody>
</table>

Source: Auditor summary of identified exceptions.

\(^{15}\) According to SFSU’s Time and Effort/Payroll Certification by Project Reporting Policy, faculty must certify their time-and-effort report following each period on the SFSU academic calendar, and the PI must certify the payroll report for faculty who work on their project during Intersession (Thanksgiving Break, Winter Intersession, Spring Break, and Summer Intersession). Additionally, the PI must certify salaried staff payroll reports and graduate assistant payroll every 6 months for the periods from January 1 to June 30 and July 1 to December 31.
**Conclusion**

Because SFSU’s policies do not require faculty to submit their effort reports within a specified time period, we did not note exceptions related to the instances of untimely reporting identified above. However, we are noting an area for improvement, as not requiring faculty to certify effort within a reasonable period could result in employees inappropriately charging salary expenses to NSF awards.

**Consideration**

We suggest that NSF’s Director of the Division of Institution and Award Support consider directing SFSU to strengthen its procedures for monitoring effort reporting to ensure that faculty either (i) certify all effort charged to NSF funding sources within the subsequent reporting period in SFSU’s effort-reporting calendar and/or within a set number of days, or (ii) remove the effort from the NSF funding source(s) charged.

**COTTON & COMPANY ASSURANCE AND ADVISORY, LLC**

Megan Mesko, CPA, CFE  
Partner  
June 17, 2022
APPENDIX A: SFSU’S RESPONSE
SAN FRANCISCO STATE UNIVERSITY (SFSU)
RESPONSE TO AUDIT FINDINGS

FINDING 1 - $260 in unallowable expenses

SFSU charged one NSF award for $260 in travel expenses that were not reasonable or necessary for the performance of the award.

SFSU’s Response: SFSU concurs with this finding and agrees to repay NSF $260. SFSU has internal controls in place to provide reasonable assurance that expenses charged to federal awards are allowable, allocable, reasonable and necessary in accordance with federal regulations, agency terms and condition and University policy. SFSU will strengthen its procedures for reimbursements for costs associated with cancelled trips when travel insurance is purchased and charged to a sponsored program.

FINDING 2 – Non-compliance with NSF terms and conditions

The Principal Investigator (PI) of NSF Award No. [redacted] did not submit all required project reports by the due dates set by NSF.

SFSU’s Response: SFSU concurs with this finding. SFSU will update its current procedures and internal controls to ensure that Principal Investigators submit annual reports to NSF in accordance with NSF’s terms and conditions.

FINDING 3 – Non-compliance with SFSU policies

SFSU did not always comply with its subaward and procurement policies and procedures when incurring costs charged to NSF awards. Specifically:
(a) In one instance, a Subrecipient Risk Assessment Questionnaire (RAQ) was missing;
(b) In another instance, it was noted that SFSU did not comply with its internal procurement policy, which requires SFSU to advertise consultant jobs if the total expenditures are expected to exceed $1,000.

SFSU’s Response:
(a) SFSU concurs with this finding.
(b) SFSU concurs with this finding. SFSU had an outdated policy posted on its website. SFSU will post an updated consultant policy to reflect the removal of the $1,000 threshold, as allowed by the California State University Chancellor’s Office.
FINDING 4 – Insufficient controls related to application of indirect cost rates

SFSU applied the indirect cost rate in effect as of the NSF grant’s award date for the entire period of performance, rather than adjusting the rate applied each year to be consistent with the rates included in SFSU’s Negotiated Indirect Cost Rate Agreement (NICRA).

SFSU’s Response: SFSU concurs with this finding. SFSU will update its current award set-up practices to ensure that indirect costs rates applied to NSF awards are consistent with the rates established in the NICRA, and/or (ii) document that it received approval from both a dean and the Office of Research and Sponsored Programs to apply a reduced indirect cost rate.

SFSU applied the IDC rate per NSF’s policy, grantees are “…to use the negotiated F&A rate that is in effect at the time of the initial award throughout the life of the sponsored agreement.” [Link to NSF policy](https://www.nsf.gov/pubs/policydocs/pappg22_1/pappg_2.jsp#IIC28viii)

SFSU interpreted this statement to mean that the F&A rate in effect on the first day of the award should be used throughout the life of the sponsored agreement. Per NSF PAPPG (NSF 20-1 FAQ: See Indirect Costs/Facilities and Administrative Costs), “…undercharges of F&A are not monitored by NSF and would be considered voluntary uncommitted cost share.” The charged IDC rate was lower than allowed in all cases identified by the auditors. The reduction in cost recovery on the part of SFSU benefited the funded project by providing all the direct costs outlined in the proposed budget while at the same time undercharging the NSF.

[Signatures]

Michael Scott
Associate Vice President for Research & Sponsored Programs

Jay Orendorff
Associate Vice President for Business Operations
APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY
OBJECTIVES

The NSF OIG Office of Audits engaged Cotton & Company Assurance and Advisory, LLC (referred to as “we”) to conduct an audit of all the costs that SFSU claimed on 35 NSF awards. The objectives of the audit were to evaluate SFSU’s award management environment to determine if costs claimed on 35 NSF awards are allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and applicable federal financial assistance requirements, and to determine whether any extraordinary circumstances existed that would justify further audit work beyond the original sample of 40 to 50 transactions.

SCOPE

The audit population included approximately $13.8 million in expenses SFSU claimed on the following 35 NSF awards from each award’s inception date through September 2, 2021.

<table>
<thead>
<tr>
<th>NSF Award Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

METHODOLOGY

After obtaining NSF OIG’s approval for our audit plan, we performed each of the approved audit steps. Generally, these steps included:

- Assessing the reliability of the GL data that SFSU provided by comparing the costs charged to NSF awards per SFSU’s accounting records to the reported net expenditures reflected in the Award Cash Management Service (ACM$) drawdown requests.
  - Our work required us to rely on computer-processed data obtained from SFSU and NSF OIG. NSF OIG provided award data that SFSU reported through ACM$ during our audit period.
    - We assessed the reliability of the GL data that SFSU provided by (1) comparing the costs charged to NSF awards per SFSU’s accounting records to the reported net expenditures reflected in the ACM$ drawdown requests that SFSU submitted to NSF during the audit period of performance; and (2) reviewing the parameters that SFSU...
used to extract transaction data from its accounting systems. We identified several discrepancies between the amounts supported by SFSU’s GL and the amounts that SFSU claimed per NSF’s ACM$ system. However, because the GL data materially reconciled to NSF’s ACM$ records, we found SFSU’s computer-processed data to be sufficiently reliable for the purposes of the audit. We did not identify any issues with the parameters that SFSU used to extract the accounting data.

- 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 NSF’s databases or the controls over NSF’s databases were accurate or reliable; however, the independent auditor’s report on NSF’s financial statements for FY 2021 found no reportable instances in which NSF’s financial management systems did not substantially comply with applicable requirements.

  - SFSU provided detailed transaction-level data to support $13,771,545 in costs charged to NSF awards during the period, which was greater than the $13,768,380 SFSU claimed in ACM$ for the 35 awards. This data resulted in a total audit universe of $13,771,545 in expenses claimed on 35 NSF awards.

- Obtaining and reviewing all available accounting and administrative policies and procedures, external audit reports, desk review reports, and other relevant information that SFSU and NSF OIG provided, as well as any other relevant information that was available online.

- Summarizing our understanding of federal, NSF, and SFSU-specific administrative and management procedures surrounding costs budgeted for or charged to NSF awards and identifying the controls in place to ensure that costs charged to sponsored projects were reasonable, allocable, and allowable.

  - In planning and performing this audit, we considered SFSU’s internal controls, within the audit’s scope, solely to understand the directives or administrative and management procedures SFSU has in place to ensure that charges against NSF awards complied with relevant federal regulations, NSF award terms, and SFSU policies.

- Providing SFSU with a list of 50 transactions that we selected based on the results of our data analytics and requesting that SFSU provide documentation to support each transaction.
• Reviewing the supporting documentation SFSU provided and requesting additional documentation as necessary to ensure we obtained sufficient, appropriate evidence to assess the allowability of each sampled transaction under relevant federal,\textsuperscript{16} NSF,\textsuperscript{17} and SFSU policies.\textsuperscript{18}

• Holding virtual interviews and walkthroughs with SFSU in January and February 2022 to discuss payroll (including effort reporting), fringe benefits, travel, participant support costs, procurement, equipment (including an inventory check), Graduate Research Fellowship Program, other direct costs (e.g., patent, relocation, recruiting, interest, advertising/public relations, entertainment, fundraising, lobbying, selling/marketing, and training costs), grant close-out procedures, subawards, ACM$ processing, indirect costs, and other general policies (e.g., pre- and post-award costs, program income, whistle-blower information, research misconduct, and conflict of interest policies).

• Summarizing the results of our fieldwork and confirming that we did not identify any extraordinary circumstances that justified the need for a second audit phase.\textsuperscript{19}

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided the summary to SFSU personnel to ensure that SFSU was aware of each of our findings and that it did not have additional documentation to support the questioned costs.

We conducted this performance audit in accordance with \textit{Generally Accepted Government Auditing Standards}, 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.

\textsuperscript{16} We assessed SFSU’s compliance with 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and 2 CFR Part 220, Cost Principles for Educational Institutions (Office of Management and Budget Circular A-21), as appropriate.

\textsuperscript{17} We assessed SFSU’s compliance with NSF PAPPGs 15-1, 16-1, 17-1, 18-1, 19-1, and 20-1 and with NSF award-specific terms and conditions, as appropriate.

\textsuperscript{18} We assessed SFSU’s compliance with internal SFSU policies and procedures surrounding costs budgeted for or charged to NSF awards.

\textsuperscript{19} Based on the areas of elevated risk of non-compliance identified during the initial phase, we determined that there was no need for any expanded audit phase.
Appendix C, Table 1: Schedule of Questioned Costs by Finding

<table>
<thead>
<tr>
<th>Finding</th>
<th>Description</th>
<th>Questioned Costs</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Unsupported</td>
<td>Unallowable</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Unallowable Expenses</td>
<td>$0</td>
<td>$260</td>
<td>$260</td>
</tr>
<tr>
<td>2</td>
<td>Non-Compliance with NSF Terms and Conditions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Non-Compliance with SFSU Procedures</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$0</td>
<td>$260</td>
<td>$260</td>
</tr>
</tbody>
</table>

Source: Auditor summary of questioned costs by finding.
### Appendix C, Table 2: Summary of Questioned Costs by NSF Award Number

<table>
<thead>
<tr>
<th>NSF Award No.</th>
<th>No. of Transaction Exceptions</th>
<th>Questioned Direct Costs</th>
<th>Questioned Indirect Costs</th>
<th>Questioned Total</th>
<th>SFSU Agreed to Reimburse</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>4</td>
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<td>3</td>
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<td>1</td>
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<td>-</td>
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</tr>
<tr>
<td>2</td>
<td></td>
<td>173</td>
<td>87</td>
<td>260</td>
<td>260</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>-</td>
<td>-</td>
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<td>3</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>28</strong></td>
<td><strong>$173</strong></td>
<td><strong>$87</strong></td>
<td><strong>$260</strong></td>
<td><strong>$260</strong></td>
</tr>
</tbody>
</table>

*Source: Auditor summary of questioned costs by NSF award number.*
## Appendix C, Table 3: Summary of Questioned Costs by NSF Award Number and Expense Description

<table>
<thead>
<tr>
<th>Finding Description</th>
<th>Award No.</th>
<th>Expense Description</th>
<th>Questioned Direct Costs</th>
<th>Questioned Indirect Costs</th>
<th>Total Questioned Costs</th>
<th>SFSU Agreed to Reimburse</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Unallowable Expenses</td>
<td>SFSU</td>
<td>March 2017 Cancelled Airfare</td>
<td>$173</td>
<td>$87</td>
<td>$260</td>
<td>$260</td>
</tr>
<tr>
<td>2) Non-Compliance with NSF Terms and Conditions</td>
<td>SFSU</td>
<td>Annual Reports Not Submitted by PI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3) Non-Compliance with SFSU Procedures</td>
<td>SFSU</td>
<td>Non-Compliance with SFSU Subaward Procedure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Non-Compliance with SFSU Procurement Procedure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4) Insufficient Controls Related to the Application of Indirect Cost Rates</td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
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</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
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</tr>
<tr>
<td></td>
<td>SFSU</td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
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</tr>
<tr>
<td>Finding Description</td>
<td>Award No.</td>
<td>Expense Description</td>
<td>Questioned Direct Costs</td>
<td>Questioned Indirect Costs</td>
<td>Total Questioned Costs</td>
<td>SFSU Agreed to Reimburse</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------</td>
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<tr>
<td></td>
<td></td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>Predetermined Indirect Cost Rates Not Adjusted</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$173</td>
<td>$87</td>
<td>$260</td>
<td>$260</td>
</tr>
</tbody>
</table>

*Source: Auditor summary of identified exceptions.*
APPENDIX D: SUMMARY OF RECOMMENDATIONS AND CONSIDERATIONS
We recommend that NSF’s Director of the Division of Institution and Award Support:

1.1 Direct SFSU to provide documentation supporting that it has repaid or otherwise credited the $260 of questioned travel expenses for which it has agreed to reimburse NSF.

1.2 Direct SFSU to strengthen its administrative and management procedures for claiming reimbursement for costs associated with cancelled travel when the traveler purchased travel insurance using sponsored funding. Specifically, SFSU’s updated policies should provide travelers with instructions regarding when and how to file travel insurance claims to ensure that SFSU obtains refunds for costs associated with cancelled travel and removes these costs from the sponsored projects.

2.1 Direct SFSU to update its current procedures and internal controls to ensure that Principal Investigators submit annual reports to NSF in accordance with NSF’s terms and conditions. Updated procedures should require SFSU to verify the submission of the annual reports with both the Principal Investigators and NSF during the project period.

3.1 Direct SFSU to strengthen the administrative and management controls it has in place for issuing subawards to ensure that it completes a Subawardee Risk Assessment Questionnaire for each subawardee prior to subaward execution, consistent with its subaward procedures.

3.2 Direct SFSU to (i) strengthen its administrative and management controls to require the procurement office to confirm that it competitively bid consultant services before executing consulting agreements for services in excess of $1,000, or (ii) update the Special Consultant-Independent Contractor Hiring Procedures on its website to be consistent with its current procurement approach.

4.1 Direct SFSU to update its current award set-up practices to (i) ensure that it sets up accounts for NSF awards such that the account applies indirect costs using all of the rates established in the Negotiated Indirect Cost Rate Agreement in effect as of the date of grant award, and/or (ii) document that it received approval from a dean and the Office of Research and Sponsored Programs to apply indirect costs using lower rates.

We also suggest that NSF’s Director of the Division of Institution and Award Support consider directing SFSU to strengthen its procedures for monitoring effort reporting to ensure that faculty either (i) certify all effort charged to NSF funding sources within the subsequent reporting period in SFSU’s effort-reporting calendar and/or within a set number of days, or (ii) remove the effort from the NSF funding source(s) charged.
Allocable cost. A cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

(a) Is incurred specifically for the federal award.

(b) Benefits both the federal award and other work of the non-federal entity and can be distributed in proportions that may be approximated using reasonable methods.

(c) Is necessary to the overall operation of the non-federal entity and is assignable in part to the federal award in accordance with the principles in this subpart. (2 CFR § 200.405).

Allocation. Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives. (2 CFR § 200.4).

Factors affecting allowability of costs. The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein; they must be given consistent treatment through application of those generally accepted accounting principles (GAAP) appropriate to the circumstances; and they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items. (2 CFR § 200.403).

Allowable cost. Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

(a) Be necessary and reasonable for the performance of the federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity. (2 CFR § 200.403).

Consultant Services (Professional Service costs). This refers to costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-federal entity, are
allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when no contingent upon recovery of the costs from the federal government.

In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative; however, the following factors are relevant:

1) The nature and scope of the service rendered in relation to the service required.
2) The necessity of contracting for the service, considering the non-federal entity's capability in the particular area.
3) The past pattern of such costs, particularly in the years prior to federal awards.
4) The impact of federal awards on the non-federal entity's business.
5) Whether the proportion of federal work to the non-federal entity's total business is such as to influence the non-federal entity in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under federal awards.
6) Whether the service can be performed more economically by direct employment rather than contracting.
7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.
8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions). (2 CFR § 200.459).

Return to the term’s initial use.

Entertainment Costs. Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval of the federal awarding agency. (2 CFR § 200.438).

Return to the term’s initial use.

Equipment. Tangible personal property—including information technology (IT) systems—having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or $5,000. (2 CFR § 200.33).

Return to the term’s initial use.
Fringe Benefits. Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick, or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity-employee agreement, or an establishment policy of the non-federal entity.

Leave is the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

1) They are provided under established written leave policies.

2) The costs are equitably allocated to all related activities, including federal awards.

3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-federal entity or specified grouping of employees. (2 CFR § 200.431).

Indirect (F&A) Costs. This refers to those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (2 CFR § 200.56).

Negotiated Indirect Cost Rate. Generally charged to federal awards through the development and application of an indirect cost rate. In order to recover indirect costs related to federal awards, most organizations must negotiate an indirect cost rate with the federal agency that provides the preponderance of funding, or Health and Human Services (HHS) in the case of colleges and universities. (NSF Office of Budget, Finance, and Award Management).

Participant Support Costs. This refers to 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. (2 CFR § 200.75).
**Period of Performance (POP).** The time during which the non-federal entity may incur new obligations to carry out the work authorized under the federal award. The federal awarding agency or pass-through entity must include start and end dates of the POP in the federal award. (2 CFR § 200.77).

*Return to the term’s initial use.*

**Proposal & Award Policies & Procedures Guide (PAPPG).** Comprises documents relating to NSF’s proposal and award process for the assistance programs of NSF. The PAPPG, in conjunction with the applicable standard award conditions incorporated by reference in award, serve as the NSF’s implementation of 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* If the PAPPG and the award conditions are silent on a specific area covered by 2 CFR § 200, the requirements specified in 2 CFR § 200 must be followed. (NSF PAPPG 19-1).

*Return to the term’s initial use.*

**Reasonable Cost.** A reasonable cost is a cost that, in its nature and amount, does not exceed that which would have been incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. (2 CFR § 200.404).

*Return to the term’s initial use.*

**Salaries and Wages.** Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the POP under the federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this Part, and that the total compensation for individual employees:

1. Is reasonable for the services rendered and conforms to the established written policy of the non-federal entity consistently applied to both federal and non-federal activities.

2. Follows an appointment made in accordance with a non-federal entity's laws or rules or written policies and meets the requirements of federal statute, where applicable.

3. Is determined and supported as provided in Standards for Documentation of Personnel Expenses, when applicable. (2 CFR § 200.430).

*Return to the term’s initial use.*

**Subawards.** An award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR § 200.92) and (2 CFR Revision § 200.1).

*Return to the term’s initial use.*
**Travel costs.** Expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-federal entity's non-federally funded activities and in accordance with non-federal entity's written travel reimbursement policies. Notwithstanding the provisions of § 200.444 *General costs of government*, travel costs of officials covered by that section are allowable with the prior written approval of the federal awarding agency or pass-through entity when they are specifically related to the federal award. (2 CFR § 200.474).

[Return to the term’s initial use.]
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