

## MEMORANDUM

Date:

To: Mary F. Santonastasso, Director  
Division of Institution and Award Support

Thru: Deborah H. Cureton  
Associate Inspector General for Audit

From: Jannifer Jenkins  
Senior Audit Manager

Subject: Audit Report No. OIG-08-1-011  
WestEd

Attached is the final audit report, prepared by Mayer Hoffman McCann P.C., an independent public accounting firm, on the audit of NSF award number ESI-0119790 awarded to WestEd. The audit covers NSF-funded costs claimed from September 1, 2001 to June 30, 2007, aggregating to approximately \$11.05 million of NSF direct funded costs and \$1.25 million of claimed cost sharing. NSF requested and OIG agreed to conduct an audit at WestEd because of findings in prior A-133 and other NSF audits that identified that the policies and procedures WestEd used were inadequate to monitor and track award activity for subawards, cost sharing, and participant support.

Overall the auditors determined that except for \$1,011,602 or nine percent of the \$11.05 million total claimed costs on WestEd's Schedule of Award Costs are allowable, allocable, and reasonable for the award. The majority of the questioned costs, \$988,806, resulted because the auditors questioned all of WestEd's claimed cost sharing due to inadequate documentation to support the quantity, value, and purpose of the third party cost share. The \$988,806 questioned represented costs exceeding NSF's proportionate share of the total project costs. Of the remaining \$22,796 in questioned costs, \$15,130 was questioned subaward costs; \$7,562 was questioned indirect costs; and \$104 was questioned travel costs.

The auditors identified four significant compliance and internal control deficiencies in WestEd's financial management practice that contributed to the questioned costs, of which we consider the first to be a material weakness. Additionally, the first three of

these control weaknesses were previously identified and reported in NSF OIG and A-133 single audit reports. Given the systemic and continuing nature of these compliance and internal control deficiencies it is likely that NSF's eleven other current awards amounting to \$13.6 million, as well as future awards are impacted by the same weaknesses. While WestEd indicates that it made progress to develop improved control policies and procedures, implementation of and adherence to those policies and procedures is needed to prevent continuing recurrence of these problems. Specifically:

- WestEd did not adequately monitor subaward costs charged to NSF Award No. ESI-0119790, which included four subawards amounting to \$6.7 million or 61% of the total costs charged to the NSF award. This occurred because WestEd did not adequately implement the policies and procedures that it established based on recommendations made in prior audit reports. Therefore, WestEd's internal controls provide no assurance that the expenditures incurred and claimed are accurate, valid, allowable and adequately documented. In order to validate the subaward charges, the auditors performed additional audit tests at 3 of the 4 subawardees. At 2 subawardees, the auditors found overstated labor and indirect costs and misclassified travel costs; as a result, they questioned \$15,130 of \$2.3 million in subaward costs that were tested. One of WestEd's subawardees overstated costs by \$9,403 because of over-allocated labor costs, non-payroll expenses, and misclassified travel costs. Another subawardee incorrectly calculated indirect costs resulting in \$5,727 of over-stated costs. Required routine subaward monitoring could prevent or identify any additional unallowable claimed subaward costs.
- Although WestEd has developed and been implementing its cost sharing policy and procedures, it was unable to quantify and support the value of the \$1.25 million claimed as cost share from a third party. As a result, the auditors questioned \$988,806 of NSF-funded costs, representing NSF's proportionate share of the total award costs.
- Although WestEd has developed formal policy and separate account codes to more consistently distinguish different categories of costs, a breakdown in communication between program and accounting personnel hindered its effectiveness. As a result, \$24,250 of consultant costs and \$28,257 of travel costs that should have been classified as participant support costs were erroneously recorded as consultant costs and travel costs. In addition, \$9,419 of subaward costs was miscoded as other direct costs. Since WestEd applied the indirect cost rate to these misclassified costs and no indirect costs are allowable for participant support costs and the amount exceeding the first \$25,000 claimed by a subawardee, the auditors questioned the associated indirect costs claimed in a total amount of \$7,562.
- WestEd has policies and procedures to review all travel expenses claimed and to exclude the costs of alcoholic beverages from federal awards. However, the reviewer did not always exclude the sales tax associated with costs of alcoholic

beverages from the costs claimed to NSF. As a result, we questioned [REDACTED] of sales tax associated with the costs of alcoholic beverages and [REDACTED] of the associated indirect costs.

To address these compliance and internal control deficiencies, we recommend that the Director of NSF's Division of Institutional and Award Support (DIAS) direct WestEd to (1a) strictly adhere to its subawardee fiscal monitoring plan and procedures; (1b) apply its recently revised subawardee monitoring procedures to all current and active subawards; (1c) ensure that all corrections made to expenses on WestEd's subawardee's accounting systems were accurately reported to WestEd and NSF; (2) strengthen its procedures to improve the communication between its [REDACTED] [REDACTED] in order to ensure participant support costs, subaward costs, and all other costs are properly coded and classified in its accounting system; (3) amend its cost sharing policy to require written documentation quantifying and determining the value and purpose of third party contributions received as cost sharing in accordance with Federal requirements and; (4) explicitly state in its policy and procedures that sales tax associated with alcohol beverages should be excluded from all federal awards.

Although WestEd's response to the draft report on July 14, 2008, indicated that it disagreed with the findings, WestEd nevertheless stated that it will provide continuing updates and training in policy communication, monitoring and cross training among [REDACTED] personnel, and it will add instructions for exclusion of sales tax associated with alcoholic beverages from federal claims for reimbursement. In addition, except for the \$988,806 of NSF-funded costs, which represents costs exceeding NSF's proportionate share of the total project costs as a result of \$1.25 million of cost sharing being questioned, WestEd accepted all the costs that the auditors questioned.

We consider the findings in this report to be significant and believe that these deficiencies could have a significant impact on WestEd's ability to efficiently and effectively administer funds in a manner that is consistent with NSF and other federal laws and regulations, if left uncorrected. Therefore, we recommend that NSF institute a flag in the awards system for WestEd until NSF is able to negotiate acceptable corrective actions with WestEd to resolve all the audit findings and recommendations.

Please coordinate with our office during the resolution period to develop a mutually agreeable resolution of the audit findings. Also, 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.

We are providing a copy of this memorandum to the Division Director and Program Director in Education & Human Resources (EHR) and the Director of the Division of Grants and Agreements (DGA). The responsibility for audit resolution rests with the Division of Institution and Award Support, Cost Analysis and Audit Resolution Branch (CAAR). Accordingly, we ask that no action be taken concerning the report's findings without first consulting CAAR at 703-292-8244.

## OIG Oversight of Audit

To fulfill our responsibilities under Government Auditing Standards, the Office of Inspector General:

- Reviewed Mayer Hoffman McCann P.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 Mayer Hoffman McCann P.C. and NSF officials, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Mayer Hoffman McCann P.C. to ensure compliance with Government Auditing Standards and the NSF Audit Guide; and
- Coordinated issuance of the audit report.

Mayer Hoffman McCann P.C. is responsible for the attached auditor's report on the WestEd and the conclusions expressed in the report. We do not express any opinion on the Schedules of Award Cost, internal control, or conclusions on compliance with laws and regulations.

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 me at (703) 292-4996.

Attachment

cc: Joan Ferrini-Mundy, Division Director, EHR/DRL  
Valentine Kass, Program Director, EHR/DRL  
Karen Tiplady, Director, DGA

**WESTED**

4665 LAMPSON AVENUE, LOS ALAMITOS, CALIFORNIA 90720

NATIONAL SCIENCE FOUNDATION AWARD NUMBER  
ESI-0119790

FINANCIAL AUDIT OF FINANCIAL SCHEDULES AND  
INDEPENDENT AUDITORS' REPORT  
SEPTEMBER 1, 2001 TO JUNE 30, 2007

**MAYER HOFFMAN McCANN P.C.**  
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**REPORT RELEASE RESTRICTION**

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## EXECUTIVE SUMMARY

An audit was performed on \$11.05 million in costs claimed and \$1.25 million in cost sharing claimed on the Federal Cash Transactions Reports (FCTR) submitted to NSF by WestEd on NSF award number ESI-0119790. NSF requested and OIG agreed to conduct an audit at WestEd because of findings in prior A-133 and other audits that identified that the policies and procedures WestEd used were inadequate to monitor and track award activity for subawards, cost sharing, and participant support. Except for \$1,011,602 (9% of \$11.05 million in total claimed costs) in questioned travel costs, subaward costs, indirect costs and NSF-funded costs related to a cost sharing shortfall described below, we determined that the costs claimed by WestEd under NSF award number ESI-0119790 appear fairly stated and are allowable, allocable and reasonable for the NSF award.

Specifically for \$22,796 of the \$1,011,602, we questioned a total of \$15,130 of subaward costs. ■■■ of WestEd's subawardees over-stated costs by ■■■ because of over-allocated labor costs, non-payroll expenses, and misclassified travel costs. Another subawardee incorrectly calculated indirect costs resulting in ■■■ of over-stated costs. In addition, \$7,562 of indirect costs that WestEd had charged NSF was questioned due to misclassified consultant, travel and other direct costs that should have been classified either as participant support or subaward costs, which are not subject to indirect costs. The remaining \$104 was questioned because of travel costs that were claimed that included sales tax associated with the costs of alcoholic beverages.

In addition, we questioned all \$1.25 million of WestEd's claimed cost sharing due to insufficient supporting documentation, which resulted in an additional \$988,806 of questioned NSF-funded costs, raising the total questioned NSF funded costs to \$1,011,602. NSF funded \$12.6 million (91 percent) of the total budgeted project costs, and WestEd was to provide cost share for the remaining \$1.25 million (9 percent). Since WestEd was unable to adequately support that it had met the required \$1.25 million of cost sharing, we questioned \$988,806 representing costs exceeding NSF's proportionate share of the total project costs.

We noted four significant compliance and internal control deficiencies in WestEd's financial management practice that contributed to these questioned costs, of which the first one is material. Specifically:

- WestEd did not adequately monitor subaward costs charged to NSF Award No. ESI-0119790, which included four subawards amounting to \$6.7 million or 61% of the total costs charged to the NSF award. This occurred because WestEd did not adequately implement the policies and procedures that it established based on recommendations made in prior audit reports. Therefore, WestEd's internal controls provide no assurance that the expenditures incurred and claimed are accurate, valid, allowable and adequately documented. In order to validate the subaward charges, we performed additional audit tests of \$2,361,217 or 36.11% out of \$6,530,245 of costs claimed at 3 of the 4 subawardees. At 2 subawardees, we found overstated labor and indirect costs and misclassified travel costs; as a result, we questioned \$15,130 in subaward costs. Required routine subaward monitoring could prevent or identify any additional unallowable claimed subaward costs.
- Although WestEd has developed formal policy and separate account codes to more consistently distinguish different categories of costs, a breakdown in communication

between [REDACTED] personnel hindered its effectiveness. As a result, \$24,250 of consultant costs and \$28,257 of travel costs that should have been classified as participant support costs were erroneously recorded as consultant costs and travel costs. In addition, [REDACTED] of subaward costs was miscoded as other direct costs. Since WestEd applied the indirect cost rate to these misclassified costs and no indirect costs are allowable for participant support costs and the amount exceeding the first \$25,000 claimed by a subawardee, we questioned the associated indirect costs claimed in a total amount of [REDACTED].

- Although WestEd has developed and been implementing its cost sharing policy and procedures, it was unable to obtain detailed documentation necessary to quantify and determine the value and purpose of its cost sharing contributed by a third party. Therefore, we questioned the entire \$1,250,000 of cost sharing claimed by WestEd, which resulted in our questioning \$988,806 of NSF-funded costs, which represents costs exceeding NSF's proportionate share of the total project costs.
- WestEd has policies and procedures to review all travel expenses claimed and to exclude the costs of alcoholic beverages from federal awards. However, the reviewer did not always exclude the sales tax associated with costs of alcoholic beverages from the costs claimed to NSF. As a result, we questioned [REDACTED] of sales tax associated with the costs of alcoholic beverages and [REDACTED] of the associated indirect costs.

WestEd's failure to address these compliance and internal control deficiencies could result in similar problems on 11 other remaining active NSF awards amounting to \$13,659,462 or future NSF awards.

To address these compliance and internal control deficiencies, we recommend that the Director of NSF's Division of Institutional and Award Support (DIAS) direct WestEd to (1a) strictly adhere to its subawardee fiscal monitoring plan and procedures; (1b) apply its recently revised subawardee monitoring procedures to all current and active subawards; (1c) ensure that all corrections made to expenses on WestEd's subawardee's accounting systems were accurately reported to WestEd and NSF; (2) strengthen its procedures to improve the communication between its program personnel and accounting personnel in order to ensure participant support costs, subaward costs, and all other costs are properly coded and classified in its accounting system; (3) amend its cost sharing policy to require written documentation quantifying and determining the value and purpose of third party contributions received as cost sharing in accordance with Federal requirements and; (4) explicitly state in its policy and procedures that sale tax associated with alcohol beverages should be excluded from all federal awards.

WestEd responded to the draft report on July 14, 2008. In its response, WestEd disagreed with the findings that (1) it inadequately performed fiscal monitoring of its subawardees, (2) it did not effectively implement its policies and procedures to ensure that project costs are properly classified, (3) it did not maintain sufficient documentation to support its cost sharing expenditures, and (4) OMB Circular A-122 disallows sales tax associated with alcoholic beverages. WestEd stated that its subaward monitoring system is fully effective and does not require improvement. WestEd also stated that its current system for documenting cost sharing complies with applicable regulations and any amendment to the current system would be redundant, unduly costly to itself, and of no further internal control benefit. However, WestEd indicated that it will provide continuing updates and training in policy communication, monitoring and cross training among [REDACTED] personnel, and will add instructions for exclusion of sales tax associated with alcoholic beverages from federal claims for

reimbursement. In addition, except for the \$988,806 of NSF-funded costs, which represents costs exceeding NSF's proportionate share of the total project costs as a result of \$1,250,000 of cost sharing being questioned, WestEd stated that it accepted all the costs that we questioned.

The findings in this report should not be closed until NSF has determined that all the recommendations have been adequately addressed and the proposed corrective actions have been implemented. WestEd's response has been included in its entirety in Appendix A.

For a complete discussion of audit findings, refer to the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with Government Auditing Standards.

# WESTED

## TABLE OF CONTENTS

	<u>Page</u>
<b>Executive Summary:</b>	
Table of Contents:	
<b>Introduction:</b>	
Background .....	1
Audit Objectives, Scope and Methodology .....	2
<b>Internal Controls and Compliance:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with <i>Government Auditing Standards</i> .....	3
<b>Financial Schedules and Supplemental Information:</b>	
Independent Auditors' Report on Financial Schedules .....	17
Schedule A – Schedule of Award Costs (Award No. ESI-0119790) .....	19
Schedule B – Schedule of Questioned Costs .....	20
Schedule C – Summary Schedule of Award Audited and Audit Results.....	25
Notes to Financial Schedules .....	27
<b>Appendices</b>	
Appendix A – Awardee's Comments to Report	
Appendix B – Prior Audit Findings	
Appendix C – Exit Conference	

## INTRODUCTION

## BACKGROUND

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We audited funds awarded by the National Science Foundation (NSF) to WestEd under award number ESI-0119790 for the period September 1, 2001 to June 30, 2007. WestEd, as a Federal awardee, is required to follow the cost principles specified in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, and the Federal administrative requirements contained in 2 CFR 215 - *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110 has been incorporated into 2 CFR 215).

WestEd was established on December 1, 1995 as a public agency for the joint exercise of powers between the Far West Regional Laboratory for Educational Research and Development (FWL) and the Southwest Regional Laboratory for Educational Research Development (SWRL). WestEd is involved in education research, development and service dedicated to improving education and other opportunities for children, youth and adults. In addition to its work across the nation, WestEd serves as the regional education laboratory for Arizona, California, Nevada and Utah, with a designated national focus on education assessment.

NSF requested and OIG agreed to conduct an audit at WestEd because of findings in a prior FY 2004 A-133 audit and other prior audits that identified that the policies and procedures WestEd used were inadequate to monitor and track award activity for subawards, cost sharing and participant support costs. In FY 2006, WestEd received a total of \$30.86 million in funding from NSF, including both funds directly received from NSF (\$28.5 million from 17 grants) and pass-through funding from other entities. Its largest award, award number ESI-0119790, was chosen for audit because it was valued at over \$12 million of which almost \$8 million (63%) was budgeted for 4 subawards with academic and non-academic organizations, where WestEd is the principal management entity to ensure that the programmatic objectives are accomplished and the financial award terms and conditions are met.

Description of the NSF award we audited is as follows:

**Award ESI-0119790 – Center for Assessment and Evaluation of Student Learning (CAESL).** NSF awarded ESI-0119790 to WestEd for the period September 1, 2001 to August 31, 2008 in the amount of \$12,683,403, with a cost sharing requirement of \$1,250,000. CAESL aims at improving student learning and understanding in science focusing on effective assessment. CAESL is a collaboration involving the Center for Research on Evaluation, Standards, and Student Testing (CRESST)/University of California-Los Angeles, the School of Education at Stanford University, The Graduate School of Education at the University of California-Berkeley, Lawrence Hall of Science (LHS), the Concord Consortium, and WestEd. The project's efforts are focused on the following objectives:

- Enhance the capacity of prospective assessment and evaluation of professionals through graduate programs;
- Develop and field test a model for enhancing the formative and summative assessment capabilities of practicing science teachers through professional development and developing teachers' capacity to lead assessment efforts in their districts;
- Enhance the formative and summative assessment capabilities of pre-service teachers;
- Conduct applied research and development on formative and summative assessment practices and technology-intensive assessment environment, and use findings from the research to generate new products; and

- Enhance the capacity of parents, school administrators, policy makers, and the public to make decisions and support the appropriate educational roles of different kinds of assessment and evaluation.

The CAESL project under the NSF award comprises five objectives or strands, which include (1) Graduate Programs for Assessment and Evaluation Professionals; (2) Professional Development; (3) Development of Pre-service Science Teachers; (4) Applied Research, and (5) Public Understanding. Each objective or strand consists of different activities specifically designed and developed to achieve the objective. Each of the four subawardees works with WestEd on more than one, but not all, strands. The four subawardees claimed approximately \$6.7 million or 61% of the total costs charged to the award.

WestEd is responsible for overall management of the project and also leads the professional development for practicing teachers. Cumulative disbursements for award number ESI-0119790 reported to NSF through June 30, 2007 were \$11,046,274. Cost share claimed solely by WestEd totaled \$1,250,000.

## **AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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The objectives of our audit were to:

1. Determine if WestEd's Schedule of Award Costs (Schedule A) presents fairly, in all material respects, costs claimed on the *Federal Cash Transactions Reports (FCTR)* – Federal Share of Net Disbursements, and if the costs claimed, including cost sharing, are in conformity with Federal and NSF award terms and conditions.
2. Identify matters concerning instances of noncompliance with laws, regulations, and the provisions of the award agreements pertaining to NSF awards, and weaknesses in WestEd's internal control over financial reporting that could have a direct and material effect on the Schedule of Award Costs (Schedule A) and WestEd's ability to properly administer, account for, and monitor its NSF awards.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* (2007 Revision) issued by the Comptroller General of the United States, and the guidance provided in the *National Science Foundation Audit Guide* (August 2007), as applicable. These standards and the NSF Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether amounts claimed to NSF as presented in the Schedule of Award Costs (Schedule A) are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Award Costs. An audit also includes assessing the accounting principles used and the significant estimates made by WestEd, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

**INTERNAL CONTROLS AND COMPLIANCE**

National Science Foundation  
Office of Inspector General  
4201 Wilson Boulevard  
Arlington, Virginia 22230

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited costs claimed as presented in the Schedule of Award Costs (Schedule A), which summarizes financial reports submitted by WestEd to the National Science Foundation (NSF) and claimed cost sharing for the award and period listed below and have issued our report thereon dated December 3, 2007.

Award Number	Award Period	Audit Period
ESI – 0119790	09/01/01 – 08/31/08	09/01/01 – 06/30/07

We conducted our audit of the Schedule of Award Costs as presented in Schedule A in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (2007 revision), and the guidance provided in the *National Science Foundation Audit Guide* (August 2007), as applicable.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the Schedule of Award Costs (Schedule A) for the period September 1, 2001 to June 30, 2007, we considered WestEd's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedule, but not for the purpose of expressing an opinion on the effectiveness of WestEd's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WestEd's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of WestEd's financial schedule that is more than inconsequential will not be prevented or detected by WestEd's internal control. We consider the deficiencies described below as Finding Nos. 1 and 2, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules will not be prevented or detected by WestEd's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that Finding No. 1 is also a material weakness.

## **COMPLIANCE WITH LAWS AND REGULATIONS AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether WestEd's financial schedule is free of material misstatement, we performed tests of WestEd's compliance with certain provisions of applicable laws, regulations, and NSF award terms and conditions, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards* and the *National Science Foundation Audit Guide* and are described in Finding Nos. 1 through 4 below.

WestEd's response to the finding identified in our audit is described after the finding and is included in its entirety in Appendix A. We did not audit WestEd's response and, accordingly, we express no opinion on it.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding 1. Lack of Adequate Fiscal Monitoring of Subawardees**

WestEd did not adequately monitor subaward costs charged to NSF Award No. ESI-0119790, which included four subawards amounting to \$6.7 million or 61% of the total costs charged to the NSF award. This occurred because WestEd did not adequately implement the policies and procedures that it established based on recommendations made in prior audit reports. Therefore, WestEd's internal controls over subaward costs provide no assurance that the expenditures incurred and claimed are accurate, valid, allowable and adequately documented. In order to validate the subaward charges, we performed additional audit tests of \$2,361,217 or

36.11% out of \$6,530,245 of costs claimed at 3 of the 4 subawardees. At 2 subawardees, we found overstated labor and indirect costs and misclassified travel costs and as a result, we questioned \$15,130 in subaward costs. Required routine subaward monitoring could prevent or identify any additional unallowable claimed subaward costs.

The CAESL project under the NSF award comprises five objectives or strands, which include (1) Graduate Programs for Assessment and Evaluation Professionals; (2) Professional Development; (3) Development of Pre-service Science Teachers; (4) Applied Research, and (5) Public Understanding. Each objective or strand consists of different activities specifically designed and developed to achieve the objective. Each of the four subawardees works with WestEd on more than one, but not all, strands.

2 CFR 215, Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (OMB Circular A-110), Subpart C, §215.51(a), states: "Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in § 215.26."

Further, OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D, §400(d.3) – Pass-Through Entity Responsibilities, requires that the pass-through entity monitor the activities of its subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The management letter issued by WestEd's independent auditor for fiscal year ended 11/30/02 indicated that WestEd did not have policy and procedures in place to identify subrecipients for monitoring. As such, WestEd developed its subaward fiscal monitoring policy and procedures in fiscal year 2003. However, fiscal monitoring at that time was limited to a review of subawardee invoices for mathematical correctness and budgetary compliance. Subsequently, WestEd's independent auditor recommended, in the management letter for fiscal year ended 11/30/04, that WestEd enhance its procedures for managing sub-recipients by including additional monitoring procedures. In fiscal year 2005, WestEd finalized and partially implemented its subaward fiscal monitoring policy and procedures.

Under WestEd's policy effective in fiscal year 2005, the [REDACTED] is the key person responsible for performing subaward fiscal monitoring. Before a contract or agreement is signed with a subawardee, the potential subawardee is required to complete a Pre-Award Questionnaire and attach its Single Audit Report and audited financial statements. The [REDACTED] is responsible for reviewing the Pre-Award Questionnaire and performing an initial risk assessment on the subawardee. This Initial Review and Risk Assessment are performed whenever a new contract is signed or extended even if the subaward has other existing contracts with WestEd.

Based on the information provided by the subawardee on the Pre-Award Questionnaire, Single Audit Report and audited financial statements, the [REDACTED] ranks the risk of the subaward as "low", "medium" or "high" on the Sub-Award Initial Review & Risk Assessment Form. If the risk of a subaward is assessed as "low", no further action or activity will be performed. If the risk of a subaward is assessed as "medium", the [REDACTED] will perform a desk review as needed and determine if an on-site review is required. If the risk is "high", the [REDACTED] will perform an on-site visit to the subaward at least once a year.

On an annual basis, a letter is sent by the [REDACTED] to each subawardee requesting the subawardee to certify if it has completed an OMB-A133 Single Audit, if required, and if there are any material weaknesses, instances of non-compliance and findings related to the subaward from WestEd. If yes, the [REDACTED] will obtain and review the Single Audit report and follow-up with the subawardee to ensure that any material weaknesses, instances of non-compliance or findings related to the subaward from WestEd are properly and timely resolved.

The fiscal monitoring policy and procedures of WestEd described above should have been applied to all existing contracts between WestEd and its subawards also. However, we found that WestEd's fiscal monitoring activities were still limited to reviews of subawardee invoices for mathematical accuracy and budgetary compliance, and annual review of subawardee certification on Single Audit results. No initial reviews or risk assessments were performed as prescribed in WestEd's policy on the four subawardees under the NSF award. Also, no desk reviews or site visits were conducted at the subawardees.

In not obtaining any documentary evidence to substantiate the amounts claimed by its subawardees, WestEd failed to ensure that expenditures claimed were reasonable, allocable, allowable and sufficiently supported in accordance with NSF and OMB Circular requirements.

Because of this internal control deficiency, we performed additional on-site procedures at three of WestEd's subawardees to satisfy ourselves that the subaward costs charged by WestEd to the NSF grant were accurate, allowable and allocable. As a result of our on-site procedures, we questioned \$[REDACTED] of the \$2,361,217 of subaward costs that we tested. Costs claimed by subawardee University of California – Los Angeles (UCLA) were over-stated by \$[REDACTED] because of over-allocation of labor costs and non-payroll expenses, as well as over-claimed indirect costs resulting from misclassification of travel costs. University of California – Berkeley (UCB), another subawardee, did not use the correct indirect cost rates to calculate the indirect costs it claimed to WestEd and as a result over-claimed \$[REDACTED] of indirect costs.

The following is a description of the exceptions we noted during our on-site visit at UCLA and UCB.

### **University of California – Los Angeles (UCLA)**

#### **A. Over-allocation of labor costs and non-payroll related expenses**

Labor costs claimed by UCLA were overstated because certain salaries and fringe benefits claimed were not sufficiently supported. UCLA allocated labor costs based on labor time efforts. During our on-site procedures, we noted that the percentages of labor costs for certain salaries and fringe benefits charged to the subaward were higher than the percentages of time efforts as reflected on the employee timesheets. As a result, we questioned the unsupported portion of labor costs (\$[REDACTED]) and the associated indirect costs (\$[REDACTED]) for a total of \$[REDACTED].

In addition, certain computer hardware and printer costs charged to the subaward were not sufficiently supported. These items were purchased for the Principal Investigator (PI). UCLA allocated these costs based on labor time efforts of the PI. However, the percentages of these purchases charged to the subaward (100%) were higher than the percentages of time efforts (25%) as reflected on the PI's Personnel Activity Report. As a result, the unsupported portion of computer hardware and printer costs (\$[REDACTED]) and the associated indirect costs (\$[REDACTED]) are questioned for a total of \$[REDACTED].

UCLA's Graduate School of Education and Information Studies (GSEIS) has a Business Manager to review and reconcile all expenses claimed to the subaward on a monthly basis. However, these errors were not identified during the review process.

#### B. Over-claimed indirect costs due to misclassification of travel costs

Indirect costs charged to the subaward were overstated because certain travel expenses were erroneously classified under the Graduate Programs for Assessment and Evaluation Professionals (GAEP) strand of the subaward and a higher indirect cost rate of [REDACTED] was applied to these expenses. These transactions should have been classified under the Applied Research strand of the subaward and applied with a lower indirect cost rate of [REDACTED]. As a result, we questioned the over-charged indirect costs in a total amount of [REDACTED].

Effective September 1, 2003, the subaward of UCLA with WestEd focuses on two strands: (1) GAEP strand and (2) Applied Research strand. Since the nature of activities for each strand of the CAESL project is different, each strand has its own approved indirect cost rate in accordance with UCLA's Colleges and Universities Rate Agreement. The GAEP strand follows the on-campus instruction indirect cost rate of [REDACTED] and the Applied Research strand follows the off-campus organized research indirect cost rate of [REDACTED].

WestEd instructed [REDACTED] strands in September 2003. However, UCLA's Office of Contract and Grant Administration (OCGA) did not receive the formal notification until April 20, 2004, (as noted by the execution of the revised version of Modification 4). The new cost centers for the two strands were then established in the UCLA's financial system in June 2004. While GSEIS began direct-charging the two strands at that time, it also [REDACTED] incurred during the period September 2003 through June 2004 [REDACTED] established cost centers of the two strands. A determination process was necessary to ensure [REDACTED] (GAEP strand or Applied Research strand). The process was completed in October 2004 and in November 2004 the actual transfers were entered into the system. [REDACTED], certain travel cost transactions of [REDACTED], which should have been recorded under the research strand, were erroneously recorded in the instruction strand.

The above exceptions in sections A and B were identified by UCLA prior to our on-site visit and UCLA has made the necessary adjustments in its accounting system to correct the errors in November 2007. We also reviewed the detailed general ledger of the GAEP strand and noted that all misclassified [REDACTED] had been properly identified and our test of other travel costs claimed in the subsequent period did not find additional errors. However, the amount of expenditures claimed to WestEd as of June 30, 2007 was still overstated by [REDACTED], since these errors in costs were included in the costs claimed to WestEd. If WestEd had adequately implemented its subaward fiscal monitoring, these exceptions could have been prevented or identified in a timelier manner.

Description	Questioned Costs		
	Direct Costs	Indirect Costs	Total
Over-allocated salaries and fringe benefits	\$ [REDACTED]	[REDACTED]	[REDACTED]
Over-allocated computer and printer costs	[REDACTED]	[REDACTED]	[REDACTED]
Errors in classification of travel costs	[REDACTED]	[REDACTED]	[REDACTED]
Total	\$ [REDACTED]	[REDACTED]	[REDACTED]

**University of California – Berkeley (UCB)**

**A. Over-claimed indirect costs due to errors in uses of indirect cost rates**

During our on-site visit, we recalculated the allowable indirect costs for the entire audit period based on UCB’s general ledgers for the subaward and approved indirect cost rates and compared the result to the total indirect costs claimed by UCB. We found that indirect costs

[REDACTED]

UCB’s subaward with WestEd is operated by UCB’s Graduate School of Education (GSE) and Lawrence Hall of Science (LHS). [REDACTED] in accordance with the Colleges and Universities Rate Agreement. UCB’s Extramural Funds Accounting (EFA) is responsible for setting up and updating indirect cost rates in the financial accounting system for all departments.

When the indirect cost rate for GSE was reduced from [REDACTED] from March 2003, the responsible EFA award analyst failed to update the rate in the financial accounting system. As a result, the incorrect indirect cost rate was [REDACTED] until July 2005.

In addition, when the [REDACTED] input the new indirect cost rates for fiscal 2003-2004 in the financial accounting system in July 2003, the [REDACTED]. As a result, the financial accounting system automatically [REDACTED] to the subaward during the period July 2003 through October 2003.

It is the responsibility of the individual departments to monitor indirect costs monthly. However, both [REDACTED] failed to timely identify the errors and notify [REDACTED] to correct them. The conditions were later discovered and adjustments were made to correct the total indirect costs charged to the subaward. However, indirect costs claimed to the subaward were still over-stated by [REDACTED]. As a result of our audit, [REDACTED] subsequently corrected the overstatement on its accounting records on November 30, 2007.

WestEd is aware of the subawardee fiscal monitoring requirements of OMB Circulars A-133 and 2 CFR 215. However, due to inadequate resources and manpower, WestEd was unable to fully and effectively implement its subaward fiscal monitoring policy and procedures. WestEd relies

on the certifications of the subawardees to certify the accuracy of their expenses, since they are all large and highly reputable educational institutions.

WestEd's lack of adequate subawardee fiscal monitoring could lead to NSF funds being used for purposes other than those intended under WestEd's NSF awards. Thus, lack of adequate subawardee fiscal monitoring increases the risk that some of the subaward costs claimed by WestEd may be unallowable, unreasonable or not allocable to the NSF awards.

### ***Recommendation 1:***

We recommend that NSF's Director of the Division of Institution and Award Support (DIAS) ensure that WestEd a) strictly adhere to its subawardee fiscal monitoring plan and procedures; b) apply its recently revised subawardee monitoring procedures to all current and active subawards, and c) ensure that all corrections made to expenses on ULCA's and UCB's accounting systems for WestEd's subawards are accurately reported to WestEd and NSF.

### **Awardee's Comments**

WestEd does not concur with the finding and WestEd indicated that it has implemented adequate policies and procedures to monitor its subawardees. Nonetheless, WestEd agrees with the questioned costs of [REDACTED] and indicated that the questioned amount has been adjusted in WestEd's books.

WestEd indicated that its policies and procedures on subaward monitoring were designed to comply in all material respects with OMB Circular A-133 guidelines and these procedures allow management and staff to prevent or detect misstatement in a timely basis. WestEd also indicated that three of the four subawardees under the NSF award are large educational institutions with excellent reputations. The remaining subawardee was a for-profit company with a small subaward amount. Therefore, WestEd decided that all the subawardees were low risk auditees and neither a desk review nor a site visit was necessary.

WestEd also stated that the auditors did not disclose systemic problems but merely brought to WestEd's attention a few, isolated errors resulting in questioned costs of [REDACTED], which is less than [REDACTED] of the total award amount. Furthermore, WestEd noted that more than half of these questioned costs were identified by subawardee staff (UCLA) before the audit and were furnished to the auditors during the on-site visit.

WestEd noted that its subawardee monitoring procedures include not only fiscal monitoring performed by [REDACTED] personnel but also the programmatic monitoring. WestEd also noted that the Principal Investigator and the Project Manager of the project oversee the progress of ongoing work, review completed tasks, and also review and approve subawardees' invoices before processing for payment to ensure a high level of assurance that the subawardees abide by the terms of the subaward agreement and payments are made in accordance with the terms of the subaward agreement.

WestEd believes it has satisfactorily performed both fiscal and programmatic monitoring procedures on its subawardees based on adopted and implemented policies and procedures and, therefore, disagrees that the finding is a material weakness due to a significant deficiency in internal control over financial reporting. WestEd believes that the subaward monitoring

system is fully effective and does not require improvement. WestEd also believes that it strictly adheres to its subawardee fiscal monitoring plan and procedures.

### **Auditor's Response**

We concur with WestEd that the design of its policies and procedures on subaward monitoring complies with OMB Circular A-133 guidelines. However, we do not agree that the procedures in place allow its management and staff to prevent or detect misstatements in a timely manner and that WestEd has satisfactorily implemented these policies and procedures.

Although parts of the questioned costs were identified by the subawardee (UCLA) and were furnished to us during the audit, it is hard to determine if the subawardee performed the internal review of its expenditures claimed because it had been informed of the audit. Furthermore, the errors at UCLA and UCB occurred in 2003 and 2004 but these errors were not corrected in the subawardees' accounting system until November 2007. If WestEd had adequately implemented its subaward fiscal monitoring, these exceptions could have been prevented or identified in a timelier manner. In addition, no documentation was provided by WestEd during our audit to evidence that any risk assessment had been performed over the subawardees of the grant.

This report finding should not be closed until NSF determines that the proposed corrective actions have been satisfactorily implemented.

### **Finding 2. Misclassification of Transactions**

WestEd did not effectively implement its policy and procedures to ensure that project costs are properly classified in its accounting system due to a breakdown in communication between program and accounting personnel. During our review of travel costs and consultant costs, we found 159 transactions (\$24,250 of consultant costs and \$28,257 of travel costs) that were stipends and travel costs related to program participants and, therefore, should have been classified as participant support costs. We also found that one subaward invoice of \$9,419 was miscoded as other direct costs, instead of subaward costs. Since WestEd applied the indirect cost rate to these misclassified costs and no indirect costs are allowable for participant support costs or the amount exceeding the first \$25,000 claimed by a subawardee, we questioned the associated indirect costs claimed in a total amount of \$7,562 (\$6,366 for misclassified participant support costs and \$1,196 for misclassified subaward costs).

NSF Grant General Conditions (GC-1), Article 7 – Participant Support Costs, states that participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia or training projects (see also GPM Section 618.) It also states that the awardee organization must account for participant support costs separately. Additionally, NSF Grant Policy Manual, Section 633.2 states that no indirect costs may be charged against participant support costs and that NSF generally provides no amounts for indirect costs for participant support.

According to the Indirect Cost Rate Agreement between WestEd and the U.S. Department of Education, indirect cost base is defined as "total direct costs less items of equipment, alterations and renovations, stipends and the portion of each competitive bid sub-award in excess of \$25,000 regardless of the period covered by that subaward."

During our review of travel and consultant costs, we found numerous transactions that were actually stipends and travel costs related to program participants. Upon further review of the detail general ledgers of these accounts, we identified \$24,250 of consultant costs and \$28,257 of travel costs that should have been classified as participant support costs but were erroneously recorded as consultant costs and travel costs. The misclassification of participant support costs as consulting costs and travel costs in a total amount of \$52,507 resulted in WestEd charging its NSF grant for [REDACTED] of unallowable indirect costs for participant support.

In addition, we found one invoice submitted by a subawardee in the amount of [REDACTED] was miscoded as other direct costs. As a result, the indirect cost base to which WestEd applied the indirect cost rate to this subawardee exceeded the first \$25,000 claimed by the subawardee as prescribed in WestEd's Indirect Cost Rate Agreement. Therefore, [REDACTED] of the associated indirect costs is not allowable.

While WestEd has developed a formal policy to distinguish expenses among different categories according to the approved budget items and established separate account codes to record costs of different categories, there is a breakdown in communication between [REDACTED] [REDACTED] personnel that hinders the policy from being properly implemented. The accounting department uses information on payment requests received from program personnel to code costs in the accounting system. However, when there is no information or the wrong information is included on payment requests, the accounting department is prone to miscode the transactions into the incorrect cost categories. The accounting system automatically applied the indirect cost rate to the misclassified costs.

WestEd's failure to properly track, record, and claim participant support costs limited its ability to ensure that participant support funds were not spent on other costs without prior NSF approval. In addition, WestEd's failure to properly classify costs into the correct cost category limited its ability to claim indirect costs accurately.

***Recommendation 2:***

We recommend that NSF's Director of DIAS ensure that WestEd strengthen its procedures governing communication between [REDACTED] personnel in order to ensure that transactions are properly coded and classified in its accounting system. Program personnel should be required to explain sufficiently the nature of the costs on each payment request submitted to the accounting department to avoid miscoding errors. The accounting department should not accept any payment requests without a detailed explanation for the expenses to be paid.

**Awardee's Comments**

WestEd strongly disagrees with the finding that it did not effectively implement its policies and procedures to ensure that project costs are properly classified in its accounting system due to a breakdown in communication between program and accounting personnel. Nevertheless, WestEd stated that it accepts the resulting questioned costs amounting to [REDACTED]

WestEd indicated that the misclassified travel and consultant costs were costs incurred for participating in annual CAESL conferences. WestEd noted that this was an isolated case of misclassification and not an indication of systemic problems in internal control. WestEd

believes its internal controls are adequate, and the project financial reports have not been materially misstated.

WestEd noted that it conducts continuing updates and training in policy communication, monitoring and cross training among accounting and program personnel. WestEd believes these continuing updates and trainings are sufficient to strengthen a system that exhibits an already high degree of compliance. WestEd noted that the necessary adjustments had been recorded in WestEd's book of accounts while the audit was still in progress.

### **Auditor's Response**

WestEd's comments are responsive to the finding and recommendation. However, we do not concur with WestEd that the finding is an isolated case of misclassification and not an indication of a systemic problem in internal control. Based on our review of WestEd's accounting records during our audit, we noted that the misclassification of travel and consultant costs occurred in multiple project years. In a prior grant audit of other NSF awards, a similar finding was also noted. We identified the cause of the finding based on our interview with WestEd personnel and review of accounting records. If cost information had been clearly stated on the payment requests, miscoding of project costs could have been avoided.

This report finding should not be closed until NSF determines that the proposed corrective actions have been satisfactorily implemented.

### **Finding 3. Insufficient Documentation to Support Cost Sharing Expenditures**

WestEd did not maintain adequate documentation to support cost sharing expenditures claimed by a third party contributor for the NSF award because it did not request the contributor to provide detailed documentation to support the amount claimed and did not have a policy to require quantifying and determining the value and purpose of third party contributions. As a result, WestEd failed to meet NSF's award records requirement for any of the \$1.25 million in cost sharing expenses claimed. We, therefore, questioned the entire \$1.25 million of cost sharing claimed by WestEd which resulted in our questioning \$988,806 of NSF-funded costs, which represents costs exceeding NSF's proportionate share of the total project costs.

NSF Grant General Conditions (GC-1), Article 22 – Cost Sharing and Cost Sharing Records, Section C, states: “The awardee must maintain records of all project costs that are claimed by the awardee as cost sharing as well as records of cost to be paid by the Government. Such records are subject to audit. Acceptable forms of cost sharing contributions are those which meet the criteria identified in 2 CFR 215, Subpart C, §215.23 (OMB Circular A-110). Unless otherwise specified in the award, approval is given to include unrecovered indirect costs (also known as facilities and administrative costs for colleges and universities) as part of cost sharing or matching contributions. If the awardee's cost participation includes in-kind contributions, the basis for determining the valuation for volunteer services and donated property must be documented.”

NSF's Grant Policy Manual (GPM) Section 333.6, Cost Sharing Records and Reports, and 2 CFR 215, Subpart C, § 215.23, require grantees to maintain records of all costs claimed as cost sharing, and states that those records are subject to audit. These regulations also state that cost-sharing expenses must be verifiable from the recipient's records and must not be included

as contributions to any other Federal award or funded by any other Federal award. 2 CFR 215, Subpart C, § 215.23, also states that, to be accepted as part of the recipient's cost sharing, expenditures must be necessary and reasonable for proper and efficient accomplishment of project or program objectives and allowable under applicable cost principles.

Although WestEd has developed and been implementing its cost sharing policy and procedures, it was unable to obtain detailed documentation necessary to support its cost sharing contributed by a third party. The only documentation WestEd maintained to support the cost sharing contributions made by [REDACTED] were annual letters sent by [REDACTED] stating that it contributed technical support and services worth approximately \$250,000 in each grant year. These letters briefly presented the types of support and services provided, which included (1) design and development of [REDACTED]; (2) technical support for content development and the [REDACTED]; (3) continued hosting and dissemination of program content on the [REDACTED]; (4) planning and consultation between [REDACTED] and the program team; (5) training and support for the program team for publishing on the Apple Learning Interchange, and (6) support for annual program conference. We noted that the types of support and services described in the letters are consistent with those on the grant budget proposal and appear to be in support of the NSF project. However, there were no other details, such as number of hours and value of services, to verify the amounts on the letters as reasonable. We attempted to obtain supporting documentation but, according to Apple Computer, Inc., it does not maintain any documentation nor track the amount of contribution it provided to WestEd. Since no other documentation was available, we were unable to determine if the reported cost sharing amount of \$1,250,000 is reasonable and accurate.

According to the PI, the support provided by [REDACTED] (technical support, training, and resources) is necessary to the success of the program. [REDACTED]

[REDACTED] Apple's willingness to contribute to the program) by requiring [REDACTED] to provide details of its contributions.

NSF funded \$12.6 million (91 percent) of the total budgeted project costs, and WestEd was to provide cost share for the remaining \$1.25 million (9 percent). Since WestEd did not maintain sufficient documentation to support cost sharing expenditures claimed, there is no assurance that they are accurate, allowable, allocable or reasonable in accordance with applicable Federal and NSF regulations. We, therefore, questioned the entire \$1.25 million of cost sharing claimed by WestEd, which resulted in us questioning \$988,806 of NSF-funded costs representing costs exceeding NSF's proportionate share of the total project costs. As stated in NSF's GPM Section 333.3, a failure to provide the level of cost sharing reflected in the approved award may result in disallowance of award costs. See Schedule B, Note B-4, for computation of the questioned award costs resulting from WestEd's cost sharing shortfall.

### **Recommendation 3:**

We recommend that NSF's Director of DIAS ensure that WestEd amend its current cost sharing policy to require written documentation quantifying and determining the value and purpose of third party contributions. WestEd should obtain the basis for determining the valuation of the contributed personal services, material, and equipment from all third party donors.

### **Awardee's Comments**

WestEd strongly disagrees with the finding, the recommendations and the questioned costs of \$988,806. WestEd believes that the auditor misapplied OMB Circular A-133 and A-110 regulations with respect to obtaining detailed documentation to support cost sharing contributed by a third party because the cost sharing contributor, [REDACTED], is a publicly traded for-profit company, and qualifies as a vendor that is not subject to the criteria identified in 2 CFR 215, Subpart C, §215.23 (OMB Circular A-110). WestEd believes the auditor applied the criteria as if [REDACTED] were classified as a subrecipient.

WestEd noted that in the original proposal to NSF, it described that [REDACTED] had committed to provide CAESL with, "technical consultation in the planning and design of technology tools; travel and meeting support; a mobile computer training lab; a webhosting and webcasting environment; and dissemination." WestEd noted that [REDACTED] developed the technology and made it available to CAESL free of charge as documented in a 2003 agreement for WestEd/CAESL. WestEd also noted that in addition to this major technological contribution, over the course of the grant Apple, Inc. provided ongoing technical support and advice (explained in greater detail in Attachment A). WestEd believes that, based on the observable results that are corroborated by the NSF program officer, the value of [REDACTED] cost share contribution is justified, properly documented, and contemporaneously approved by NSF management. In addition, WestEd noted that it has an additional \$1,118,194 in cost sharing contributions that would be in the form of time offered free of charge from the faculties at the three education institutions serving as subawardees. WestEd noted that because it was informed by the NSF program officer that WestEd could rely solely on cost share contribution from [REDACTED], WestEd did not document any of the \$1,118,194 contributions that took place over the life of the grant. Should it be necessary, WestEd indicated that it is willing to retroactively obtain documentations for these contributions. WestEd strongly contends that the auditor's basis for the questioned cost is factually inaccurate.

WestEd believes that the current system for documenting cost sharing complies with applicable regulations and, therefore, any amendment to these procedures would be redundant, unduly costly to WestEd, and of no further internal control benefit.

### **Auditor's Response**

We agree that OMB Circular A-133 and 2 CFR 215, Subpart C, §215.23 (OMB Circular A-110) do not apply to [REDACTED], which is a for-profit company. However, we do not agree that NSF Grant General Conditions, NSF's Grant Policy Manual and 2 CFR 215, Subpart C, §215.23 (OMB Circular A-110) are applied incorrectly in this finding. The finding is based on the fact that WestEd, as a recipient of NSF funds, is subject to the criteria regarding cost sharing identified in both NSF provisions and 2 CFR 215, Subpart C, §215.23 (OMB Circular A-110). [REDACTED] is neither considered as a subrecipient nor a vendor, since it did not receive any federal funds under the award. The fact remains that, although the cost share contributions were provided by a for-profit third party entity, it is the responsibility of WestEd, not the third party contributor, to obtain and maintain sufficient documentation to support that the amount of cost share that WestEd claimed is allowable, reasonable, allocable and properly supported.

This report finding should not be closed until NSF determines that the proposed corrective actions have been satisfactorily implemented.

#### **Finding 4. Unallowable Sales Tax Associated with Alcoholic Beverages**

During our audit, we found that sales tax associated with the costs of alcoholic beverages were not always removed from the total costs claimed. As a result, [REDACTED] of sales tax associated with costs of alcoholic beverages and [REDACTED] of the associated indirect costs (a total amount of \$104) is questioned.

OMB Circular A-122, Cost Principles for Non-Profit Organizations, Attachment B, Paragraph 2 states: "Costs of alcoholic beverages are unallowable."

WestEd has policies and procedures to review all travel expenses claimed and to exclude the costs of alcoholic beverages from federal awards. However, while the cost of alcoholic beverages was excluded, the reviewer did not always exclude the related sales tax but allowed it to be charged to the grant.

#### ***Recommendation 4:***

We recommend that NSF's Director of DIAS ensure that WestEd's policy and procedures explicitly state that all costs, including sale tax, associated with alcoholic beverages are unallowable and therefore not to be charged to a federal award.

#### **Awardee's Comments**

WestEd believes that OMB Circular A-122 does not disallow sales tax. WestEd stated that the Circular is silent on the issue of sales tax on alcoholic beverages. In addition, WestEd noted that the incidents discovered by the auditor are insignificant and pursuant to OMB Circular A-133, there does not appear to be either a reportable internal control or a compliance deviation with this finding. Nonetheless, WestEd indicated that the questioned costs of \$104 have been adjusted in WestEd's books of account. Furthermore, WestEd stated that it will add an instruction to its related procedure and supervision documents to explicitly state and test for the exclusion of sales tax on alcoholic beverages from federal claims for reimbursement.

#### **Auditor's Response**

WestEd's comments are responsive to the finding and recommendation. However, we do not concur with WestEd that the Circular is silent on the issue of sales tax on alcoholic beverages because the sales tax associated with alcohol beverages is considered part of the costs of alcoholic beverages.

This report finding should not be closed until NSF determines that the proposed corrective actions have been satisfactorily implemented.

This report is intended solely for the information and use of WestEd's management, the National Science Foundation, WestEd's Federal Cognizant Audit Agency, the Office of Management and Budget, and the Congress of the United States and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.  
*Conrad Government Services Division*  
Irvine, California  
December 3, 2007

**FINANCIAL SCHEDULES AND  
SUPPLEMENTAL INFORMATION**

National Science Foundation  
Office of Inspector General  
4201 Wilson Boulevard  
Arlington, Virginia 22230

### INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULES

We have audited the costs claimed by WestEd to the National Science Foundation (NSF) on the Federal Cash Transactions Reports (FCTRs) for the NSF award listed below. In addition, we audited the amount of cost sharing claimed on the NSF award. The FCTRs, as presented in the Schedule of Award Costs (Schedule A), are the responsibility of WestEd's management. Our responsibility is to express an opinion on the Schedule of Award Costs (Schedule A) based on our audit.

Award Number	Award Period	Audit Period
ESI-0119790	09/01/01 – 08/31/08	09/01/01 – 06/30/07

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (2007 revision), and the guidance provided in the *National Science Foundation Audit Guide* (August 2007), as applicable. These standards and the *National Science Foundation Audit Guide*, require that we plan and perform the audit to obtain reasonable assurance that the amounts claimed to NSF as presented in the Schedule of Award Costs (Schedule A) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Award Costs (Schedule A). An audit also includes assessing the accounting principles used and the significant estimates made by WestEd's management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion. The Schedule of Questioned Costs (Schedule B) explains the \$1,011,602 (9.16%) of total claimed NSF funds that we have questioned as to their allowability under the award agreement. These questioned costs include unallowable travel, subaward and indirect costs.

Questioned costs are (1) costs for which documentation exists to show that recorded costs were expended in violation of laws, regulations or specific award conditions, (2) costs that require additional support by the awardee, or (3) costs that require interpretation of allowability by the National Science Foundation – Division of Institution and Award Support (DIAS). NSF will make

the final determination of cost allowability. The ultimate outcome of this determination cannot presently be determined. Accordingly, no adjustment has been made to costs claimed for any potential disallowance by NSF.

In our opinion, except for the \$1,011,602 of questioned NSF-funded costs, the Schedule of Award Costs (Schedule A) referred to above presents fairly, in all material respects, the costs claimed on the FCTRs for the period September 1, 2001 to June 30, 2007 in conformity with the provisions of the *National Science Foundation Audit Guide*, *NSF Grant Policy Manual*, terms and conditions of the NSF award and on the basis of accounting described in the Notes to the Financial Schedule, which is a comprehensive basis of accounting other than generally accepted accounting principles. This schedule is not intended to be a complete presentation of financial position of WestEd in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, and guidance provided in the *National Science Foundation Audit Guide*, we have also issued a report dated December 3, 2007, on our consideration of WestEd's internal control over financial reporting and our tests of WestEd's compliance with certain provisions of laws, regulations, and NSF award terms and conditions and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of WestEd's management, NSF, WestEd's Federal cognizant agency, Office of Management and Budget, and the Congress of the United States of America, and is not intended to be, and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.  
*Conrad Government Services Division*  
Irvine, California  
December 3, 2007

**WESTED**  
 National Science Foundation Award Number ESI-0119790  
 Schedule of Award Costs  
 September 1, 2001 - June 30, 2007  
 Interim

Cost Category	Approved Budget	Claimed Costs (A)	Reclassification of Costs	Claimed Costs After Reclassification	Questioned NSF-Funded Costs	Schedule Reference
Direct costs:						
Salaries and wages						
Fringe benefits						
Travel						B, Note B-1 and B2
Participant support						B, Note B-2
Other direct costs:						
Material and supplies						
Publication						
Consulting						B, Note B-2
Computer services						
Subaward						B, Note B-2 and B3
Other direct costs						B, Note B-2
Total direct costs	12,115,370	10,579,490	-	10,579,490	15,223	
Indirect costs	<u>568,033</u>	<u>466,784</u>	<u>-</u>	<u>466,784</u>	<u>7,573</u>	B, Note B-1, B-2 and B-5
Total	<u>\$ 12,683,403</u>	<u>11,046,274</u>	<u>-</u>	<u>11,046,274</u>	<u>22,796</u>	
Cost sharing	<u>\$ 1,250,000</u>	<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>	<u>988,806</u>	B, Note B-4

(A) - The total claimed costs agrees with the total expenditures reported by WestEd on the Federal Cash Transaction Report - Federal Share of Net Disbursements as of the quarter ended June 30, 2007. Claimed costs reported above are based on the Summary of Claimed Costs prepared by WestEd from WestEd's books of accounts.

See accompanying Notes to Financial Schedules

**WESTED**

National Science Foundation Award Number  
ESI-0119790  
Schedule of Questioned Costs  
From September 1, 2001 to June 30, 2007

**Note B-1**      **Travel Costs and Indirect Costs**

During our audit, we found certain instances where sales tax associated with the costs of alcoholic beverages were charged to the NSF award in the travel cost category. WestEd has policies and procedures to review all travel expenses claimed and to exclude the costs of alcoholic beverages from federal awards. However, the reviewer did not always include the sales tax associated with costs of alcoholic beverages. As a result, \$93 of sales tax associated with costs of alcoholic beverages and \$11 of the associated indirect costs for a total amount of \$104 is being questioned. (See Finding and Recommendation No. 4 in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters.*)

**Note B-2**      **Travel Costs, Consultant Costs, Subaward Costs, Other Direct Costs and Indirect Costs**

WestEd did not effectively implement its policy and procedures to ensure that transactions are properly classified in the accounting system. Although WestEd has developed a formal policy to distinguish different categories of costs, and uses separate account codes to record participant costs, there was a breakdown in communication between WestEd's program personnel and accounting personnel that hindered the policy from being properly implemented.

During our review of travel costs and consultant costs, we found numerous transactions that are actually stipends and travel costs related to program participants. Upon further review of the detail general ledgers of these accounts, we identified \$24,250 of consultant costs and \$28,257 of travel costs that should have been classified as participant support costs but were erroneously recorded as consultant costs and travel costs. The misclassification of participant support costs totaling \$52,507 resulted in WestEd charging its NSF grant for \$6,366 of unallowable indirect costs for participant support.

In addition, we found one subawardee invoice in the amount of \$9,419 that was miscoded as other direct costs. As a result, the indirect cost base to which WestEd applied the indirect cost rate to this subawardee exceeded the first \$25,000 claimed by the subawardee as prescribed in WestEd's Indirect Cost Rate Agreement. Therefore, \$1,196 of the associated indirect costs is not allowable. (See Finding and Recommendation No. 2 in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.*)

**WESTED**

National Science Foundation Award Number  
ESI-0119790  
Schedule of Questioned Costs  
From September 1, 2001 to June 30, 2007

(Continued)

**Note B-3**

**Subaward Costs**

WestEd did not perform adequate fiscal monitoring, in accordance with its established policy and procedures, on the subaward costs it charged to the NSF award due to limited resources and manpower. Because of this internal control deficiency, we performed additional on-site procedures at three of WestEd's subawardees to satisfy ourselves that the subaward costs charged by WestEd to the NSF grant were accurate, allowable and allocable. We found that WestEd over-claimed \$15,130 of subaward costs to the NSF award. Costs claimed by one of WestEd's subawardees, University of California – Los Angeles (UCLA), were over-stated by \$9,403 because of an over-allocation of labor costs and non-payroll expenses, as well as over-claimed indirect costs resulted from misclassification of travel costs. Another subawardee of WestEd, University of California – Berkeley (UCB) used incorrect indirect cost rates to compute indirect costs which resulted in \$5,727 of incorrectly calculated indirect costs. These over-claimed costs from the two subawardees were passed on to NSF through the "Subaward" cost category claimed by WestEd. (See Finding and Recommendation No. 1 in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.*)

**WESTED**

National Science Foundation Award Number  
ESI-0119790  
Schedule of Questioned Costs  
From September 1, 2001 to June 30, 2007

(Continued)

**Note B-4**      **Cost Sharing**

WestEd did not maintain sufficient documentation to support its cost sharing expenditures claimed to the NSF award. Although WestEd has developed and been implementing its cost sharing policy and procedures, WestEd experienced difficulties in obtaining the necessary detail documentation to support its cost sharing contributed by a third party for this NSF grant. The only documentation maintained by WestEd to support the cost sharing contributions is the letters received from [REDACTED], annually stating that [REDACTED] contributed technical support and services worth approximately \$250,000 for each grant year. WestEd did not maintain any other documentation or record to track and quantify the contributions received from [REDACTED]. We also contacted [REDACTED] and attempted to obtain any supporting documentation but [REDACTED] replied that it does not maintain any documentation nor track the amount of contribution it provided to WestEd. We questioned the \$1,250,000 of cost sharing amount reported by WestEd because we were unable to determine if the reported amount is reasonable and accurate. (See Finding and Recommendation No. 3 in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters*)

In accordance with NSF's GPM Section 333.3, grantee must cost share at the level of cost sharing included in the award. Because of the questioned cost sharing expenditures, WestEd did not cost share allowable costs at the level required in the award. Using the guidelines contained in NSF's Auditing for Cost Sharing and Matching on NSF Grant Awards, we calculated excess funding NSF provided as a result of inadequate cost sharing as follows:

**SCHEDULE B**

**WESTED**

National Science Foundation Award Number  
ESI-0119790  
Schedule of Questioned Costs  
From September 1, 2001 to June 30, 2007

(Continued)

**Note B-4      Cost Sharing, (continued)**

**Maximum Percentage of NSF Funding to Total Project Costs**

NSF Shared Budgeted	\$ 12,683,403
WestEd Cost-sharing Required	<u>1,250,000</u>
Total Project Costs	\$ 13,933,403
Maximum NSF Share (NSF Share - \$12,683,403/Total Project Costs - \$13,933,403)	91.03%

**Audit Results**

Claimed NSF Costs minus Questioned NSF Costs (\$11,046,274 - \$22,796)	\$ 11,023,478
Claimed Cost-sharing minus Questioned Cost Sharing (\$1,250,000 - \$1,250,000)	<u>-</u>
Adjusted Project Costs	<u>\$ 11,023,478</u>

**Questioned Costs Due to Cost Sharing Shortfall**

Adjusted Project Costs	\$ 11,023,478
Less: Maximum NSF Share (91.03% of \$11,023,478)	<u>10,034,672</u>
Questioned Costs	<u>\$ 988,806</u>

Note: The amount of questioned costs due to the cost sharing shortfall will ultimately depend on the amount of questioned direct and indirect costs sustained which will be determined by NSF.

**SCHEDULE B**

**WESTED**

National Science Foundation Award Number  
ESI-0119790  
Schedule of Questioned Costs  
From September 1, 2001 to June 30, 2007

(Continued)

**Note B-5      Indirect Costs**

The table below summarizes the questioned indirect costs as described in Notes B-1 through B-2.

<u>Note Number</u>	<u>Description</u>	<u>Questioned Indirect Costs</u>
B-1	Sales tax associated with costs of alcoholic beverages	██████████
B-2	Misclassification of participant support costs	██████████
B-2	Misclassification of subaward costs	██████████
Total:		\$ 7,573

**SCHEDULE C**

**WESTED**

Summary Schedule of Award Audited and Audit Results  
From September 1, 2001 to June 30, 2007

**Summary of Awards Audited**

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
ESI-0119790	09/01/01 – 08/31/08	09/01/01 – 06/30/07

<u>Award Number</u>	<u>Type of Award</u>	<u>Award Description</u>
ESI-0119790	Grant	The award is a five-year project funded by NSF to improve student learning and understanding in science focusing on effective assessment. It is a collaboration involving the Center for Research on Evaluation, Standards, and Student Testing (CRESST)/University of California-Los Angeles, the School of Education at Stanford University, The Graduate School of Education at the University of California-Berkeley, Lawrence Hall of Science (LHS), the Concord Consortium, and WestEd.

**Summary of Questioned and Unsupported Costs by Award**

<u>Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
ESI-0119790	\$ 12,683,403	11,046,274	22,796	-
<b>Total</b>	<b>\$ 12,683,403</b>	<b>11,046,274</b>	<b>22,796</b>	<b>-</b>
<u>Cost Sharing</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned NSF-Funded Costs</u>	<u>Unsupported Costs</u>
ESI-0119790	\$ 1,250,000	1,250,000	988,806	1,250,000
<b>Total</b>	<b>\$ 1,250,000</b>	<b>1,250,000</b>	<b>988,806</b>	<b>1,250,000</b>

**SCHEDULE C**

**WESTED**  
 Summary Schedule of Award Audited and Audit Results  
 From September 1, 2001 to June 30, 2007

(Continued)

**Summary of Questioned Cost by Explanation**

<u>Category</u>	<u>Questioned Costs</u>	<u>Internal Controls</u>	<u>Non-Compliance</u>
Salaries and Wages	\$ -	N/A	N/A
Fringe Benefits	-	N/A	N/A
Equipment	-	N/A	N/A
Travel	93	No	Yes
Participant Support	-	N/A	N/A
Material & Supplies	-	N/A	N/A
Publication	-	N/A	N/A
Consulting	-	N/A	N/A
Computer Services	-	N/A	N/A
Subcontractors	15,130	Yes	Yes
Other Direct Costs	-	N/A	N/A
Indirect Costs	7,573	Yes	Yes
Cost Sharing Shortfall	988,806	No	Yes

**Summary of Non-Compliance and Internal Control Findings**

<u>Findings</u>	<u>Non-Compliance or Internal Control</u>	<u>Material or Reportable</u>	<u>Amount of Questioned Costs Effected</u>	<u>Amount of Claimed/ Incurred Costs Effected</u>
Lack of Adequate Fiscal Monitoring of Subawardees	Non-Compliance and Internal Control	Material Weakness	\$ 15,130	\$ 6,689,979
Misclassification of Transactions	Non-Compliance and Internal Control	Reportable	7,562	8,020,012
Insufficient Documentation to Support Cost Sharing Expenditures	Non-Compliance	Reportable	988,806	1,250,000
Unallowable Sales Tax Associated with Alcoholic Beverages	Non-Compliance	Reportable	104	162,570

## WESTED

Notes to Financial Schedules  
From September 1, 2001 to June 30, 2007

### Note 1: Summary of Significant Accounting Policies

#### Accounting Basis

The accompanying financial schedule has been prepared in conformity with National Science Foundation (NSF) instructions, which are based on a comprehensive basis of accounting other than generally accepted accounting principles. Schedule A has been prepared by WestEd from the Federal Cash Transactions Reports (FCTRs) submitted to NSF and WestEd's accounting records. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

#### A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess cash received from NSF over final expenditures is due back to NSF.

#### B. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedule.

#### Income Taxes

WestEd was established pursuant to the provisions of Title 1, Division 7, Chapter 5, Article I of the California Government Code (the Joint Powers Act) as public agency for the joint exercise of powers between the Far West Regional Laboratory for Educational Research and Development and the Southwest Regional Laboratory for Educational Research and Development. The entity is exempt from federal income taxes per Section 115(1) of the Internal Revenue Code.

The departure from generally accepted accounting principles allows NSF to properly monitor and track actual expenditures incurred by the Grantee. The departure does not constitute a material weakness in internal controls.

**WESTED**

Notes to Financial Schedules  
From September 1, 2001 to June 30, 2007

(Continued)

**Note 2: NSF Cost Sharing and Matching**

The following represents the cost share requirement and actual cost share as of June 30, 2007:

<u>Award Number</u>	<u>Cost Share Required</u>	<u>Actual Cost Share Provided</u>	<u>Over/(Under)</u>
ESI-0119790	\$ 1,250,000	\$ 1,250,000*	\$ -

\* Because WestEd did not maintain sufficient documentation to support the reported cost sharing expenditures, we questioned the entire reported amount.

**Note 3: Indirect Cost Rates**

<u>Fiscal Year</u>	<u>Indirect Cost Rate</u>	<u>Base</u>
00-01	██████████	Modified Total Direct Costs (Total direct salaries, fringe benefits, materials, supplies, services, travel, and sub-awards) (up to the first \$25,000).
01-02	██████████	
02-03	██████████	
03-04	██████████	
04-05	██████████	
05-06	██████████	
06-07	██████████	

**APPENDIX A - AUDITEE'S COMMENTS TO  
REPORT**

**APPENDIX B – PRIOR AUDIT FINDINGS**

**PRIOR AUDIT FINDINGS**

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Audit Report on NSF grants (REC-9814803, ESI-9618990 and ESI-9550063) issued by Conrad and Associates L.L.P. for the period 10/01/95 through 12/31/99 identified a finding for inconsistent treatment of participant costs. In our current audit, we also identified costs that should have been classified as participant support costs but were erroneously classified in other cost categories and the indirect cost rate was incorrectly applied to these misclassified costs. We found that WestEd has developed a formal policy to distinguish expenses between participant support costs and non-participant support costs, and uses separate account codes to record participant costs. However, there was a breakdown in communication between WestEd's program [REDACTED] personnel that hindered the policy from being effectively implemented.

A management letter issued by WestEd's independent auditor for fiscal year ended 11/30/02 annual audit indicated that WestEd needed to develop policy and procedures to identify sub-recipients for monitoring. In its management letter for the fiscal year ended 11/30/04 annual audit, WestEd's independent auditor also recommended that WestEd enhance its procedures for managing its sub-recipients by including monitoring procedures. We found that although WestEd developed its subaward fiscal monitoring policy and procedures in fiscal year 2003, it did not start implementing them until fiscal year 2005. Also, WestEd has only partially implemented its established subaward fiscal monitoring policy and procedures due to inadequate resources and manpower. We noted that WestEd's fiscal monitoring activities are limited to reviews of subawardee invoices for mathematical accuracy and budgetary compliance, and an annual review of subawardee certification on Single Audit results. No initial reviews and risk assessments, as prescribed in WestEd's policy, were performed on the four subawardees under the NSF project being audited. Also, no desk reviews or site visits were conducted at the subawardees.

The management letter issued by WestEd's independent auditor for fiscal year ended 11/30/04 also recommended that WestEd enhance its procedures for maintaining cost sharing information. During our audit, we noted that WestEd had developed and implemented written policy and procedures on tracking and maintenance of cost sharing information. However, we noted that WestEd did not maintain adequate supporting documentation for the cost sharing expenditures of this NSF grant.

The management letter issued by WestEd's independent auditor for fiscal years ended 11/30/02 and 11/30/01 also recommended that WestEd follow its procedures on procurement by performing costs analysis and maintaining sole source justification or bidding documentation for vendor selection. During our audit, we noted that WestEd had developed and implemented formal procurement procedures after the recommendation was made.

**APPENDIX C – EXIT CONFERENCE**

**EXIT CONFERENCE**

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We conducted an exit conference on November 30, 2007 at WestEd's office in Los Alamitos, California. We discussed preliminary findings and recommendations noted during the audit. Representing WestEd were:

<b>Name</b>	<b>Title</b>
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Representing Mayer Hoffman McCann P.C. – Conrad Government Services Division was:

<b>Name</b>	<b>Title</b>
[REDACTED]	[REDACTED]

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excellence in research, development, and service

July 14, 2008

Mr. [REDACTED]  
Shareholder  
Mayer Hoffman McCann P.C.  
Conrad Government Services Division  
2301 Dupont Drive, Suite 200  
Irvine, CA 92612

Dear [REDACTED]

Attached are our responses to the findings and recommendations included in the draft audit report covering National Science Foundation (NSF) award no. ESI-0119790, awarded to WestEd for the period September 1, 2001 through June 30, 2007 (REPORT).

Also attached are our comments regarding the factual accuracy of the data and exhibits presented. One of the most glaring of the inaccuracies is that WestEd is not a private nonprofit corporation incorporated under the laws of the State of Washington, nor is it exempt from income taxes under Section 501(c)3 of the Internal Revenue Code as stated on page twenty-four of the REPORT.

WestEd was established pursuant to the provisions of Title 1, Division 7, Chapter 5, Article I of the California Government Code (the Joint Powers Act) as a public agency for the joint exercise of powers between the Far West Regional Laboratory for Educational Research and Development (FWL) and the Southwest Regional Laboratory for Educational Research and Development (SWRL). The Internal Revenue Service has determined that WestEd is exempt from federal income taxes per Section 115(1) of the Internal Revenue Code.

In addition, while the REPORT lists eight items of questioned costs in four findings, seven of these, totaling \$22,796, fail to meet the OMB Circular A-133 normal threshold for reporting materiality (\$10,000). We strongly object to the REPORT's implication that these seven minor errors, which, even if taken as a whole, amount to less than two tenths of one percent (0.2%) of the total award amount represent "significant compliance and control deficiencies."

Feel free to contact [REDACTED] should you have any questions.

Sincerely,

[REDACTED]

WestEd

National Science Foundation Award Number  
ESI-0119790

Management Response to Auditors' Findings and Recommendations

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

**Audit Finding #1. Lack of Adequate Fiscal Monitoring of Subawardees**

*WestEd did not adequately monitor subaward costs charged to NSF Award No. ESI-0119790, which included four subawards amounting to \$6.7 million or 61% of the total costs charged to the NSF award. This occurred because WestEd did not adequately implement the policies and procedures that it established based on recommendations made in prior audit reports. Therefore, WestEd's internal controls provide no assurance that the expenditures incurred and claimed are accurate, valid, allowable and adequately documented. In order to validate the subaward charges, we performed additional audit tests at 3 of the 4 subawardees. At 2 subawardees, we found overstated labor and indirect costs and misclassified travel costs; as a result, we questioned \$15,130 in subaward costs. Required routine subaward monitoring could prevent or identify any additional unallowable claimed subaward costs.*

WestEd Response

WestEd does not concur with the finding that the Agency has inadequately performed fiscal monitoring of its subawardees. The Agency has implemented adequate policies and procedures for subaward monitoring and it has performed the necessary fiscal/program review procedures to monitor its subawardees. Nonetheless, WestEd agrees with the questioned cost amounting to \$15,130.

WestEd's policies and procedures on subaward monitoring were designed to comply in all material respects with OMB Circular A-133 guidelines. The procedures were put in place to allow management and staff performing their assigned functions to prevent or detect misstatements in a timely basis. However, even the tightest and most rigorous internal controls have limitations and may occasionally fail to attain 100% accuracy.

The procedures implemented in fiscal year 2005 enabled WestEd to assess the risk of each subawardee to be low, medium or high. Three of the four CAESL subawardees are large educational institutions with excellent reputations. One of the four subawardees was a for-profit company with a small subaward amount [REDACTED]

The classifying of subawardees as having high, medium or low risk is a routine part of WestEd's subawardee review process, and WestEd believes the effectiveness of WestEd's subawardee monitoring during the CAESL project was never compromised. The on-site audit performed by NSF auditors did not disclose systemic problems but merely brought to WestEd's attention a few, isolated errors resulting in questioned costs of \$15,130. Out of a total award of \$12.7 million, this amounts to less than two tenths of one percent (0.2%) of the total award amount. Furthermore, more than half of these questioned costs were identified by subawardee staff (UCLA) before the NSF audit and were furnished to the NSF auditors during the on-site visit. WestEd's subcontract monitoring procedures include not only fiscal monitoring performed by accounting/contracts personnel but also the programmatic monitoring. WestEd's Principal Investigator (PI) and Project Manager (PM) also participate in subcontract monitoring by

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

communicating regularly with the subawardees to oversee the progress of ongoing work and to review completed tasks. The [REDACTED] are responsible for reviewing and approving the subawardees' invoices before processing for payment. The functions performed by [REDACTED] provides WestEd a high level of assurance that the subawardees abide by the terms of the subagreement and payments are likewise being made in accordance with the terms of the subagreement.

Attached are samples of the Pre-Award Questionnaire (Exhibit 1), Sub-Award Initial Review and Risk Assessment (Exhibit 2), and Result of Single-Audit letter (Exhibit 3).

WestEd has satisfactorily performed fiscal/program monitoring procedures on its subawardees based on adopted and implemented policies and procedures and therefore disagrees that the finding is a material weakness due to a significant deficiency in internal control over financial reporting. WestEd believes that the subaward monitoring system is fully effective and does not require improvement. However, we will continue to pursue our goal to attain 100% accuracy in implementation.

Auditor's Recommendation on Finding #1.

*We recommend that NSF's Director of the Division of Institution and Award Support (DIAS) ensure that WestEd a) strictly adhere to its subawardee fiscal monitoring plan and procedures; b) apply its recently revised subawardee monitoring procedures to all current and active subawards, and c) ensure that all corrections made to expenses on UCLA's and UCB's accounting systems for WestEd's subawards were accurately reported to WestEd and NSF.*

WestEd Response

WestEd believes that it strictly adheres to its subawardee fiscal monitoring plan and procedures. Further, we believe that our current implementation significantly reduces the likelihood of an error to a very low probability. The questioned costs have been adjusted in WestEd's books. Attached are documents to show that the amounts of \$9,403 from UCLA (Exhibit 4) and \$5,727 from UCB (Exhibit 5) have been deducted from subsequent invoices submitted.

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

**Audit Finding #2. Misclassification of Transactions**

*Although WestEd has developed formal policy and separate account codes to more consistently distinguish different categories of costs, a breakdown in communication between program and accounting personnel hindered its effectiveness. As a result, \$24,250 of consultant costs and \$28,257 of travel costs that should have been classified as participant support costs were erroneously recorded as consultant costs and travel costs. In addition, \$9,419 of subaward costs was miscoded as other direct costs. Since WestEd applied the indirect cost rate to these misclassified costs and no indirect costs are allowable for participant support costs and the amount exceeding the first \$25,000 claimed by a subawardee, we questioned the associated indirect costs claimed in a total amount of \$7,562.*

WestEd Response

WestEd strongly disagrees with the finding that WestEd did not effectively implement its policies and procedures to ensure that project costs are properly classified in its accounting system due to a breakdown in communication between [REDACTED] personnel. Nevertheless, WestEd accepts the resulting questioned costs amounting to \$7,562.

The misclassified travel and consultant costs were costs incurred for participating in annual CAESL conferences. This is an isolated case of misclassification and not an indication of systemic problems in internal control. WestEd's internal controls are adequate, and the project financial reports have not been materially misstated. The resulting questioned costs amount to \$7,562, which is less than one tenth of one percent of the total award.

**Auditor's Recommendation on Finding #2.**

*We recommend that NSF's Director of DIAS ensure that WestEd strengthen its procedures governing communication between program and accounting personnel in order to ensure that transactions are properly coded and classified in its accounting system. Program personnel should be required to explain sufficiently the nature of the costs on each payment request submitted to the accounting department to avoid miscoding errors. The accounting department should not accept any payment requests without a detailed explanation for the expenses to be paid.*

WestEd Response

WestEd conducts continuing updates and training in policy communication, monitoring and cross training among accounting and program personnel. We believe these continuing updates and trainings are sufficient to strengthen a system that exhibits an already high degree of compliance. The necessary adjustments have been recorded in WestEd's book of accounts when the audit was still in progress.

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

**Audit Finding #3. Insufficient Documentation to Support Cost Sharing Expenditures**

*Although WestEd has developed and been implementing its cost sharing policy and procedures, it was unable to obtain detailed documentation necessary to support its cost sharing contributed by a third party. Therefore, we questioned the entire \$1,250,000 of cost sharing claimed by WestEd, which resulted in our questioning \$988,806 of NSF-funded costs, which represents costs exceeding NSF's proportionate share of the total project costs.*

WestEd Response

WestEd strongly disagrees with the finding and recommendation and questioned cost in the amount of \$988,806.

First, WestEd believes that the auditor misapplied OMB Circulars A-133 and A-110 regulations with respect to obtaining detailed documentation to support cost sharing contributed by a third party. [REDACTED] is an American multinational corporation with a focus on designing and manufacturing consumer electronics and closely related software products. [REDACTED] is a publicly traded for-profit company, and qualifies as a vendor that is not subject to the criteria identified in 2 CFR 215, Subpart C, S215.23 (OMB Circular A-110). The auditor applied the criteria as if Apple, Inc. were classified as a subrecipient. However, WestEd believes that [REDACTED] is unquestionably a vendor in accordance with the applicable criteria described by OMB Circular A-133 Subpart B section 210(a)-(f), which describes the pass-through entities' responsibilities with respect to vendors, and with which WestEd complies in all material respects. Therefore, WestEd believes the rules on documentation being cited by the auditor are applied incorrectly.

Second, in the original proposal to NSF, WestEd described that [REDACTED] had committed to provide CAESL with, "technical consultation in the planning and design of technology tools; travel and meeting support; a mobile computer training lab; a webhosting and webcasting environment; and dissemination." The provisioning of a webcasting environment was a significant task. CAESL wanted to develop a web-based, interactive, database-driven site that could handle streaming video and other forms of multimedia. Although streaming video content on the web has become commonplace today, in 2001 it was a technology in its infancy and there were no appropriate tools readily available. [REDACTED] developed the technology with an accompanying authoring system to allow users to post their own multimedia content to a [REDACTED] hosted site. [REDACTED] developed the technology and made it available to CAESL free of charge (as documented in a 2003 agreement for WestEd/CAESL) to become an [REDACTED] site affiliate. Had WestEd had to develop the system, the cost is estimated to have been in excess of \$1,000,000.

In addition to this major technological contribution, over the course of the grant [REDACTED] provided ongoing technical support and advice on CAESL's web-based products, production support for web-based products with streaming online video, and access to online editing and publishing software to author [REDACTED] exhibits. [REDACTED] advised and helped in the production of

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

technical products and provided training for staff members working on video production and editing at one of their Texas facilities. WestEd staff also met with [REDACTED] technical staff at their [REDACTED] for face-to-face consultations about the CAESL project and to see technologies that [REDACTED] thought might be helpful for the project. To support dissemination of our products, [REDACTED] provided free affiliate membership of the ALI (still in force) so that WestEd could publish media rich exhibits, which we continue to do (Exhibit 6) [REDACTED]. [REDACTED] served as an advisor to CAESL, attended our annual conferences (even presented at one of them), and provided feedback and advice on the technical and educational aspects of our work (Exhibit 7). [REDACTED] also contributed to the costs of our annual conferences.

Based on the above observable results that are corroborated by the NSF program officer the value of [REDACTED]'s cost share contribution is justified, properly documented, and contemporaneously approved by NSF Management.

Third, in the original proposal budget, WestEd showed a projected total cost share over the life of the grant of \$2,368,194. That figure included both the \$1,118,194 in cost sharing that would be in the form of time offered free of charge from the faculty at the three educational institutions serving as subawardees as well as the \$1,250,000 that [REDACTED] offered to contribute. At the outset of the grant on November 15, 2001, after discussions between [REDACTED] and the NSF [REDACTED] WestEd was informed that there would no longer be a need to show the cost-share contribution of the university partners and that it was sufficient to rely on [REDACTED]'s cost share contribution. This is documented in the grant amendment issued by NSF to WestEd dated November 15, 2001 (Exhibit 8). Thereafter, WestEd did not document any of the \$1,118,194 contribution that took place over the life of the grant. Should it be necessary, WestEd is willing to retroactively obtain documentation for the contributions.

WestEd strongly contends that the auditor's basis for the questioned cost is factually inaccurate.

Auditor's Recommendation on Finding #3.

*We recommend that NSF's Director of DIAS ensure that WestEd amend its current cost sharing policy to require written documentation quantifying and determining the value and purpose of third party contributions. WestEd should obtain the basis for determining the valuation of the contributed personal services, material, and equipment from all third party donors.*

#### WestEd Response

WestEd believes the current system for documenting cost sharing complies with applicable regulations and, therefore, any amendment to these procedures would be redundant, unduly costly to WestEd, and of no further internal control benefit.

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

**Audit Finding #4. Unallowable Sales Tax Associated with Alcoholic Beverages**

*WestEd has policies and procedures to review all travel expenses claimed and to exclude the costs of alcohol beverages from federal funds. However, the reviewer did not always exclude the sales tax associated with costs of alcoholic beverages from the total costs claimed to NSF. As a result, we questioned [REDACTED] sales tax associated with costs of alcoholic beverages and [REDACTED] of the associated indirect costs.*

WestEd Response

OMB Circular A-122 does not disallow sales tax. The Circular is silent on the issue of sales tax on alcoholic beverages. In addition, the incidents discovered by the auditor are insignificant and pursuant to OMB Circular A-133, there does not appear to be either a reportable internal control or a compliance deviation with this finding. Nonetheless, the questioned costs amounting to [REDACTED] has been adjusted in WestEd's books of account.

Auditor's Recommendation on Finding #4.

*We recommend that NSF's Director of DIAS ensure that WestEd's policy and procedures explicitly state that all costs, including sales tax, associated with alcoholic beverages are unallowable and therefore not to be charged to a federal award.*

WestEd Response

WestEd will add an instruction to its related procedure and supervision documents to explicitly state and test for the exclusion of sales tax on alcoholic beverages from federal claims for reimbursement.

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

**Comments Regarding the Factual Accuracy of the Data Presented**

Page Reference and Description of Misstatement	Accurate Statement
Page 5, 5 <sup>th</sup> paragraph only identified the [REDACTED] as the key person responsible for performing subaward fiscal monitoring	The [REDACTED] of the [REDACTED] is responsible for sending and collecting the Pre-Award Questionnaire.
Page 5, 7 <sup>th</sup> paragraph incorrectly states that on an annual basis, a letter is sent by the [REDACTED] to each subawardee requesting the subaward to certify if it has completed an OMB-A133 Single Audit	The [REDACTED] is responsible for sending and collecting the subawardees' certification of the results of the Single Audit
Page 24, Note 1 on Income Taxes incorrectly states that WestEd is a private nonprofit corporation, incorporated under the laws of the State of Washington. WestEd is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code.	WestEd was established pursuant to the provisions of Title 1, Division 7, Chapter 5, Article I of the California Government Code (the Joint Powers Act) as a public agency for the joint exercise of powers between the Far West Regional Laboratory for Educational Research and Development (FWL) and the Southwest Regional Laboratory for Educational Research and Development (SWRL). The Internal Revenue Service has determined that WestEd is exempt from federal income taxes per Section 115(1) of the Internal Revenue Code.
Appendix B Prior Audit Findings, 2 <sup>nd</sup> paragraph incorrectly states that a management letter issued by WestEd's independent auditor for fiscal year ended 11/30/02 annual audit indicated that WestEd needed to develop policy and procedures to identify subrecipients for monitoring.	The management letter for the fiscal year ended 11/30/02 indicated that policies and procedures were not established to evaluate if subcontractors utilized in federal programs were subrecipients defined under OMB Circular A-133 Section .210 or vendors.

WestEd  
National Science Foundation Award Number  
ESI-0119790  
Management Response to Auditors' Findings and Recommendations

Page Reference and Description of Misstatement	Accurate Statement
<p>Appendix B Prior Audit Findings, 3<sup>rd</sup> paragraph incorrectly states that the management letter issued by WestEd's independent auditor for fiscal year ended 11/30/04 also recommended that WestEd enhance its procedures for maintaining cost sharing information.</p>	<p>The management letter for the fiscal year ended 11/30/04 stated that "WestEd requires that each award requirement be summarized on a "Contract Summary Worksheet". During our review of selected contract summaries we noted that the following information was missing. 1. Cost share requirements for projects 4106 and 3907 were not summarized on the Contract Summary Sheet". (Note - The auditor merely cited the cost share requirements as one example of a special requirement that the Contracts Administration should document on the Contract Summary Worksheet. The comment did not address procedures for maintaining cost sharing information.)</p>

WestEd

National Science Foundation Award Number  
ESI-0119790

EXHIBITS

**WestEd  
Pre-Award Questionnaire**

Subcontractor	
Subcontract #	
Amount	
Start Date	
End Date	

**Instructions to Preparer:**

This questionnaire is designed to enable WestEd to determine whether the potential subgrantee has fiscal and personnel procedures in place that comply with the regulations; has staff capable of delivering the services economically and efficiently; and has internal controls in place to assure that award assets will be properly safeguarded.

Responses may be **yes, no, or not applicable, or may require specific information.**  
Please provide brief explanations as deemed necessary.

**General**

1. Indicate the corporate nature of the organization: a. 501 (c) (3) b. Governmental entity c. For-profit entity d. Other NPO	
2. Are the IRS returns being filed in a timely manner?	
3. Are there any outstanding IRS or payroll tax issues?	
4. Are there any major legal issues affecting the organization? If yes, briefly explain. (Add attachment if necessary.)	
5. Does the appropriate staff understand the program requirements and are they familiar with program regulations and the OMB Circulars?	
6. Indicate the result of the most recent A-133 audit: a. Clean audit – no findings or questioned costs b. Minor findings, no questioned costs c. Material findings, questioned costs (Submit a copy of the most recent audited financial statements)	
7. Has a management letter been issued? If yes, submit a copy.	
8. Have any of the subrecipient's programs/projects been audited in the last 2 years? If yes, submit copy of audit report.	

**WestEd  
Pre-Award Questionnaire**

**Exhibit 1.2**

Policies and Procedures	
1. Are there written policies and procedures on cost allocation?	
2. Is there an approved indirect cost rate agreement? If yes, submit a copy.	
3. Are there written procedures on cash management?	
3. Are there written procedures on procurement and acquisition of property?	
4. Are there written procedures on property management and disposal of property?	
5. Are there written financial procedures?	
6. Are there written personnel policies and procedures?	
7. Are there written policies and procedures on standards of conduct, nepotism, and conflict of interest for governing board and employees?	
8. Are there written procedures on contract administration?	
9. Does the general ledger system allow for an ongoing comparison of budget to actual expenditures for your contract?	
10. Is there adequate insurance coverage?	
11. Do the financial procedures allow for adequate segregation of duties?	

<b>Signature</b>	X _____ By signing, I certify that, to the best of my knowledge, the responses to the questionnaire are true and correct.
Prepared By	
Position/Title	
Date Prepared	

# WestEd

## Sub-Award Initial Review & Risk Assessment

Subgrantee Name	
Sub-Award Number	
Cost Code Number	
Sub-Award Amount	
Period of Performance Start Date	
Period of Performance End Date	
Prepared By/ Date Prepared	

<p><b>Instructions to Preparer</b></p> <p>Attach this sheet to the completed Pre-Award Questionnaire. Based on the responses to the questionnaire, document your observations and recommendations.</p> <p>Complete the Risk Assessment section.</p>	
---	--

<p><b>Observations and Recommendations for Desk and On-Site Reviews</b></p>

# WestEd

## Sub-Award Initial Review & Risk Assessment

<b>Risk Assessment (High, Medium, or Low)</b>	
<b>Low Risk</b> – OMB Circular A-133 audits performed, no audit findings, experienced service provider, small contract, well-trained staff, positive relationship, and excellent history of performance and financial stability	
<b>Medium Risk</b> – OMB Circular A-133 audit, some findings in the past, large contract, change in staff, new or relatively new grantee, and somewhat less than excellent history of performance and financial stability	
<b>High Risk</b> – No audit or OMB Circular A-133 audit with material findings, pass-through entity concerns, large contract, new grantee, major staff turnover, and less than excellent history of performance and financial stability	
Risk Assessment Done By / Date	

Based on the risk assessment results, the following course of action will be taken:

**Low Risk** – no further action; **Medium Risk** – perform desk review; **High Risk** – perform site visit

Date

Subcontractor  
Attention: Name  
Title  
Address  
City, State, Zip  
Phone

Re: Project  
WestEd #: Cost Code and Subcontract # (list multiple if org has subcontracts under several contracts)

Dear Mr./Ms./Dr. Name:

Our records indicate that your organization was a subrecipient of federal funds awarded to WestEd during the fiscal year ending November 30,2006. OMB Circular A-133, Audits of States, Local Government & Nonprofit Organizations, requires us to ensure that your organization is in compliance with the requirements of OMB Circular A-133. Accordingly, please check the appropriate boxes and mail back to us together with any required documents:

- 1.  We have not yet completed the A-133 single audit for fiscal year 2006. We expect the audit to be completed by \_\_\_\_\_. Upon completion, we will notify you in writing. If material findings are reported related to the sub-award from WestEd, we will send a copy of the audit report and corrective action plan.
- 2.  We have completed the A-133 single audit for fiscal year 2006. There are no material weaknesses, no material instances of noncompliance and no findings related to the sub-award from WestEd. Therefore, we are not enclosing a copy of the report.
- 3.  We have completed the A-133 single audit for fiscal year 2006. Material weaknesses, material instances of noncompliance or findings related to the WestEd's sub-award to us were noted. Enclosed is a copy of the audit report and our response.
- 4.  We are not subject to the provisions of A-133 because our organization:
  - ( ) is for profit
  - ( ) expended less than \$300,000 in Federal funds in fiscal year2006
  - ( ) other (explain) \_\_\_\_\_.

I certify that the boxes checked above are appropriate for the organization I represent. In addition, I certify that all relevant material findings in the audit report have been disclosed.

Signature: \_\_\_\_\_ Date \_\_\_\_\_.

Print Name & Title: \_\_\_\_\_.

We appreciate your response by Date. If you have any questions, please feel free to contact me at 415.615.3294 or via email at vtinio@wested.org.

Sincerely,

[Redacted signature block]

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

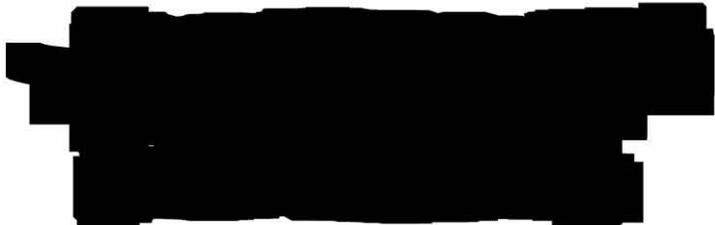
Invoice No. 31  
11/30/2007



WestEd  
Steve Schneider  
400 Seaport Court, Ste 222  
Redwood City, CA 94063

Contract/Agreement/P.O. No.  
01093264  
Dated 09/18/2002

WestEd  
DEC 20 2007  
RECVD. ACCTG



THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
UNIVERSITY OF CALIFORNIA, LOS ANGELES

79331/NMC/P2

Exhibit 4.1

Invoice No. 32  
01/17/2008

WestEd  
Steve Schneider  
400 Seaport Court, Ste 222  
Redwood City, CA 94063

[REDACTED]

Contract/Agreement/P.O. No.  
093264  
dated 09/18/2002

WestEd

[REDACTED]

JAN 28 2006  
RECVD. ACCTG.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



Business Unit: 1 - UC Berkeley  
As of: January 2008

GL SUM MONTHLY EXPENSE  
Summary by Fund

Exhibit 5.1  
Page 1 of 1  
Run Date: 06/26/08  
Run Time: 15:50:21

Selection Criteria: Acct: 5 | Fund: 79788 | Org: | Pgm: | Flex: | Project:  
Org L2 Node | Org L3 Node | Org L4 Node | Org L5 Node | Org L6 Node  
Fund L2 Node | Fund L3 Node | Fund L4 Node | Fund L5 Node  
Acct L2 Node | Acct L4 Node



Note1: The 'Prior Year Actuals' column reflects expenses incurred in prior fiscal years for contract & grant funds. For other funds, this column will contain \$0.  
Note2: The 'Balance' in this report does NOT include commitments (encumbrances & pre-encumbrances).

Busi [redacted] UC Berkeley  
 Fisc [redacted]  
 Mon [redacted]

**CURRENT ACTIVITY DETAIL**  
 By Fund

Page 1 of 1  
 Run Date: 06/26/08  
 Run Time: 15:44:31

Select [redacted] | Fund Code 79788 | Org Code | Program Code | Project No | Flexfield  
 Org L2 Node | Org L3 Node | Org L4 Node | Org L5 Node | Org L6 Node | Acct L2 Node: EXPENSES | Acct L3 Node: | Acct L4 Node:

Description	Department Desc.	Date	Doc Id	Reference	Budget	Expenses	Encumbrance	Pre Encumb
<b>79788 - WE-4106-BARBER-08/08</b>								
[redacted]	[redacted]	11/30/07	PAY0412247	13% REG	0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]				0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	11/30/07	PAY0412247	0% REG	0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	10/31/07	PAY0412247	6.24 H VAC	0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]				0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	11/30/07	PAY0412247		0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]				0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	11/01/07	BEGINNING		0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	11/30/07	TEL0412172		0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]				0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]				<b>0.00</b>	[redacted]	[redacted]	<b>0.00</b>
[redacted]	[redacted]	11/30/07	XMCXT79788		0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	11/30/07	POH0000056		0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]	11/30/07	POH0000057		0.00	[redacted]	[redacted]	0.00
[redacted]	[redacted]				0.00	[redacted]	[redacted]	0.00
<b>TOTAL INDIRECT COSTS</b>					<b>0.00</b>	[redacted]	[redacted]	<b>0.00</b>
<b>TOTAL FOR FUND 79788 - WE-4106-BARBER-08/08</b>					<b>0.00</b>	[redacted]	[redacted]	<b>0.00</b>

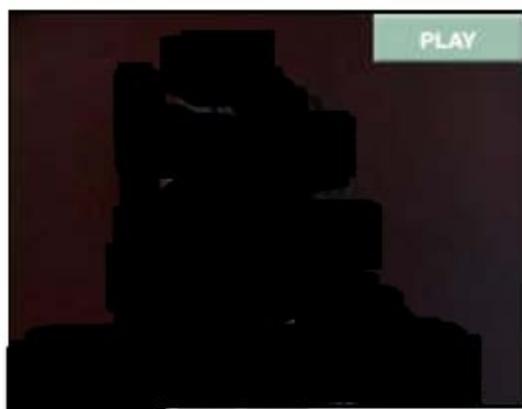
*total for Nov. 07*

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- [Collections](#)
- [Conversations](#)
- [Groups](#)
- [Members](#)

## The CAESL Science Assessment Leadership Academy

K-12 Education Leadership Practice

### Introduction



The Center for Assessment and Evaluation of Student Learning (CAESL), introduces this National Science Foundation-funded Center for Learning and Teaching, which strives to enhance student learning through improved science assessment practice. Teacher professional development is a powerful way to reach that goal. This exhibit introduces the CAESL Science Assessment Leadership Academy for practicing K-12 science teachers.

Student learning improves when assessment is an integral part of curriculum and instruction in the classroom. The CAESL Academy helps districts achieve the goal of using assessment as a tool for improving teacher practices and student performance.

The Center for the Assessment and Evaluation of Student Learning ([CAESL](#)) improves student learning and understanding in science by focusing on effective assessment. The Center is building a knowledge base and a set of resources for educators, researchers, parents, and policymakers to support the use of quality assessments.

CAESL is a five-year collaboration led by WestEd in conjunction with the Center for Research on Evaluation, Standards, and Student Testing (CRESST) at the University of California, Los Angeles; the School of Education at Stanford University; the Graduate School of Education at the University of California, Berkeley; and the Lawrence Hall of Science.

< [Prev](#) [Next](#) >

First published on Feb 13, 2007.



## Friday June 4, 2004

### Breakout Sessions

#### • **Work Circles: Bringing Practitioners and Theoreticians to the Table of Assessment Reform**

by [redacted] (UC Berkeley) and [redacted] (Martin Luther King Middle School)  
[PowerPoint](#)

#### • **The Effects of Teacher Discourse on Student Behavior and Learning in Peer Directed Groups**

by [redacted] (UCLA)  
[PDF of the Paper](#)  
[PDF Charts](#)  
[PDF Charts](#)

#### • **The Apple Learning Interchange □ Disseminating CAESL's Work**

by [redacted] (Director, Digital Curriculum & Content [redacted]) and [redacted] (WestEd)

#### • **The Educators □ Assessment Tool Kit □ Tools for Engaging Parents and the Public**

[redacted]  
[PowerPoint](#)

#### • **Pathways**

by [redacted] (UCLA) and guests

- [AIR PowerPoint](#)
- [CTB PowerPoint](#)
- [ETS PowerPoint](#)
- [SRI PowerPoint](#)
- [WestEd PowerPoint](#)

### Issue Talks

facilitated by [redacted]

### Moving the CAESL Community of Practice Forward

facilitated by [redacted]

Closing Keynote Address:

**CAESL and the Future of Science Assessment**

[redacted]

Award Date: November 15, 2001  
Award No. ESI-0119790  
Amendment No. 001

[REDACTED]  
Director of Contracts and Administration  
WestEd  
730 Harrison Street  
San Francisco, CA 94107

WestEd

NOV 28 2001  
RECEIVED

Dear Ms. Johnson:

By letter dated September 24, 2001 the sum of \$2,003,598 was awarded to WestEd under the direction of Steven A. Schneider, Jacqueline Barber, Joan L. Herman, Richard J. Shavelson, Robert F. Tinker for support of the project entitled:

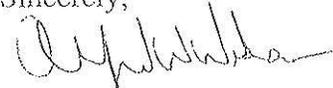
"Center for Assessment and Evaluation of Student Learning."

The purpose of this amendment is to change the total cost share amount from \$2,368,194 to \$1,250,000.

Except as modified by this amendment, the grant conditions remain unchanged.

The cognizant NSF program official for this grant is Janice M. Earle (703) 292-8614. The cognizant NSF grants official contact is Larry Fuqua (703) 292-8217.

Sincerely,



Alfred W. Wilson  
Grants Officer

CFDA No. 47.076

