



National Science Foundation

4201 Wilson Boulevard
Arlington, Virginia 22230

Office of Inspector General

MEMORANDUM

DATE: September 28, 2012

TO: Jeffery Lupis, Division Director
Division of Acquisition and Cooperative Support (DACS)

FROM: Dr. Brett M. Baker 
Assistant Inspector General for Audit

SUBJECT: NSF OIG Audit Report No. OIG-12-1-009, Review of Associated Universities, Inc.'s Accounting for and Management of Program Income

We contracted with the Defense Contract Audit Agency (DCAA), Chesapeake Bay Branch Office, to perform a comprehensive internal control review of Associated Universities, Inc. (AUI). This is the fourth and last part of this audit¹, wherein DCAA reviewed the adequacy of AUI's accounting for and management of program income. DCAA performed its audit of AUI in accordance with generally accepted government auditing standards.

Background

AUI manages astronomical observatories for NSF and is the management organization for the National Radio Astronomy Observatory (NRAO), which is one of NSF's Federally Funded Research and Development Centers (FFRDC). AUI manages research facilities in Green Bank, WV (site of the Green Bank telescope) and in Socorro, NM (site of the Very Large Array and Expanded Very Large Array). AUI also manages the Atacama Large Millimeter Array (ALMA) which is still under construction in Chile. NSF awarded Cooperative Agreement AST-0956545 to AUI, effective from November 15, 2009 through September 30, 2015, for the management and operations of the NRAO. NSF awarded approximately \$458 million of funds to AUI for the management and operations of the National Radio Astronomy Observatory (NRAO) and ALMA for FYs 2010-2015. We requested an internal control audit of AUI to determine whether AUI has systems in place to ensure compliance with federal regulations and proper stewardship over NSF funds.

¹ The first part of the audit was transmitted under NSF OIG Audit Report No. OIG-10-1-013, *Evaluation of the Adequacy of Associated Universities Inc.'s Short and Long Range Planning Processes*, dated September 30, 2010. The second part of the audit was transmitted under NSF OIG Audit Report No. OIG-11-1-016, *Evaluation of AUI's Internal Control over Property, Procurement and Travel*, dated March 31, 2011. The third part of the audit was transmitted under NSF OIG Audit Report No. OIG-11-1-024, *Review of AUI's Accounting System and Executive Compensation*, dated September 30, 2011.

The objectives of this specific audit were to review AUI's accounting for and management of program income to determine if: 1) the income is being properly handled and accounted for; 2) AUI's cafeteria located at the Greenbank, West Virginia site for employees is operating at a profit or loss; and 3) the housing rental rates charged to employees is based upon reasonable value, in accordance with applicable federal regulations.

DCAA determined that AUI's accounting for and management of program income is adequate and AUI's housing rental rates are reasonable. The Cafeteria at the at the Greenbank, West Virginia location operated at a loss based on the auditor's evaluation of data for FY 2009 and testing performed during FY 2010. The program income generated from the Cafeteria and gift shops is being properly handled.

We are providing a copy of this memorandum to the NSF AUI Program Director. The responsibility for audit resolution rests with DACS. Accordingly, we ask that no action be taken concerning the report's findings without first consulting DACS at (703) 292-8242.

OIG Oversight of Audit

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

- Reviewed DCAA's approach and planning of the audit;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with DCAA and OIG management to discuss audit progress, findings and recommendations;
- Reviewed the audit report prepared by DCAA to ensure compliance with Government Auditing Standards and Office of Management and Budget Circulars; and
- Coordinated issuance of the audit report.

DCAA is responsible for the attached audit report on AUI and the conclusions expressed in the report. The NSF OIG does not express any opinion on AUI's internal controls over its accounting for and management of program income or the conclusions presented in DCAA's audit report.

We thank you and your staff for the assistance extended to us during the audit. If you have any questions about this report, please contact David Willems at (703) 292-4979 or Jannifer Jenkins at (703) 292-4996.

Attachment: DCAA Report No. 06171-2010J17900009, dated August 6, 2012

cc: Martha Rubenstein, CFO and Director BFA
Mary Santonastasso, Division Director, DIAS
Vernon Pankonin, Program Director, MPS/AST
Clifford Gabriel, Senior Advisor, OD