




**National Science Foundation • Office of Inspector General**  
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**MEMORANDUM**

Date: September 28, 2015

To: Dale Bell  
Director, Division of Institution and Award Support

Jamie French  
Acting Director, Division of Grants and Agreements

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

Subject: Audit Report No. 15-1-021  
Florida State University

This memo transmits the WithumSmith+Brown (WSB) report for the audit of costs totaling \$166 million charged by Florida State University (FSU) to its sponsored agreements with NSF during the period April 1, 2010 to March 31, 2013. The audit objectives were to: (1) identify and report on instances of unallowable, unallocable, and unreasonable costs; (2) identify and report on instances of noncompliance with regulations, Federal financial assistance requirements, and the provisions of the NSF award agreements related to the transactions selected; and to (3) determine the reasonableness, accuracy and timeliness of the awardee's American Recovery and Reinvestment Act of 2009 (ARRA) quarterly reporting, including reporting the jobs created under ARRA and grant expenditures for the two most recent quarters.

The auditors determined that costs FSU charged to its NSF sponsored agreements did not always comply with applicable Federal and NSF award requirements. The auditors questioned \$568,130 of costs claimed on 18 NSF awards. Specifically, the auditors noted \$444,966 in senior personnel charges that exceed the NSF two-month salary limit; \$96,702 for unreasonable equipment, material, and maintenance charges; \$14,090 in unallocable computer and parking charges; \$8,862 in unreasonable travel and supplies expenditures; and, \$3,510 for expenditures occurring near the award expiration date. These questioned costs resulted in five areas identified where FSU controls could be improved to ensure compliance with laws and regulations. These conditions increase the risk that NSF funds will not be used as required to accomplish other necessary project objectives.

The auditors also found that FSU properly accounted for and segregated NSF ARRA funded awards in its accounting system. Additionally, FSU's ARRA reports were reasonable, accurate, and timely. For the quarters ending December 31, 2012 and March 31, 2013, expenditures and jobs creation were verified without exception. However, the auditors found that \$59,822 in

unallowable costs (of the \$568,130 in total questioned costs) were charged to 2 ARRA awards for expenditures related to senior personnel that exceeded the two-month NSF salary limit.

The auditors recommended that NSF address the findings by requiring FSU to work with NSF in resolving the questioned costs of \$568,130 and strengthen FSU's administrative and management controls.

FSU, in its response dated September 4, 2015 agreed with some of the findings and questioned costs. However, FSU disagreed with the salary overcharges because they believe that NSF policy states that awardees are authorized to rebudget salaries after issuance of the award. Furthermore, they believe NSF policies and subsequent guidance from NSF are clear concerning the charging of senior salary. FSU acknowledged in recent years they have strengthen compliance through the implementation of stronger internal controls. They also advised the auditor's recommendations would be evaluated in conjunction with established policies and procedures and enhancements will be made as needed. FSU's response is described after the findings and recommendations and is included in its entirety in Appendix A.

Appendix C contains a detailed summary of the unallowable items that were questioned. Additional information concerning the questioned items was provided separately by OIG to the Division of Institution and Award Support, Cost Analysis and Audit Resolution Branch.

Please coordinate with our office during the six month resolution period, as specified by OMB Circular A-50, 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.

#### OIG Oversight of Audit

To fulfill our responsibilities under generally accepted government auditing standards, the Office of Inspector General:

- Reviewed WSB'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 WSB and NSF officials, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report, prepared by WSB to ensure compliance with generally accepted government auditing standards; and,
- Coordinated issuance of the audit report.

WSB is responsible for the attached auditor's report on Florida State University and the conclusions expressed in the report. We do not express any opinion on the conclusions presented in WSB's audit report.

We thank your staff for the assistance that was extended to our auditors during this audit. If you have any questions regarding this report, please contact Billy McCain at 703-292-4989.

Attachment

cc: Alex Wynnyk, Branch Chief, CAAR  
Rochelle Ray, Team Leader, CAAR  
Michael Van Woert, Executive Officer, NSB  
Ruth David, Audit & Oversight Committee Chairperson, NSB



**Florida State University  
Audit of Incurred Costs for  
National Science Foundation Awards  
For the Period April 1, 2010 to March 31, 2013**

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## ACRONYMS

AAG	Award & Administration Guide
ARRA	American Recovery and Reinvestment Act of 2009
CAS	Cost Accounting Standards Exemption Form
CFR	Code of Federal Regulations
DIAS	Division of Institution and Award Support
FACET	Faculty Assignments, Commitments, and Effort Certification Tracking
FAQ	Frequently Asked Question
F&A	Facilities and Administrative
FFR	Federal Financial Report
FSU	Florida State University
NSF	National Science Foundation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAPPG	NSF Proposal and Award Policies and Procedures Guide
PI	Principal Investigator
TAR	Travel Authorization Request

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## **Independent Auditors' Report**

The National Science Foundation (NSF) is an independent federal agency created by the National Science Foundation Act of 1950 (P.L. 810-507). Its mission is “to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense.” The Foundation is also committed to ensuring an adequate supply of the Nation’s scientists, engineers, and science educators. NSF funds research and education in science and engineering by awarding grants and contracts to educational and research institutions in all parts of the United States. Through grants, cooperative agreements, and contracts, NSF enters into relationships with non-federal organizations to fund research education initiatives and assist in supporting internal program operations. Florida State University (FSU) is an NSF grant recipient.

FSU is ranked 43<sup>rd</sup> among all public universities per the 2015 U.S. News & World Report ranking. The university offers an academic environment built on its values and unique heritage and is on the oldest continuous site of higher education in Florida. The 16 colleges offer more than 275 undergraduate, graduate, doctoral, professional and specialist degree programs, including medicine and law, covering a broad array of disciplines critical to society today. Each year the University awards over 2,000 graduate and professional degrees.

Interdisciplinary programs draw on research faculty strengths that transcend the traditional disciplines, including neuroscience, molecular biophysics, computational science, materials science and research. In 2013, FSU was awarded over \$155 million in federal research dollars from various sources. Each year, the university receives over a thousand awards to conduct research from federal, state and other sponsors. Because FSU is one of the larger recipients of NSF award dollars, the NSF Office of Inspector General (OIG) selected the University for audit.

WithumSmith+Brown, under contract with the NSF-OIG, audited the costs claimed by FSU to NSF for the period beginning April 1, 2010 and ending March 31, 2013. Our audit objectives were to: (1) identify and report on instances of unallowable, unallocable, and unreasonable costs; (2) identify and report on instances of noncompliance with regulations, federal financial assistance requirements, and the provisions of the NSF award agreements related to the transactions selected; and (3) determine the reasonableness, accuracy and timeliness of the awardee’s American Recovery and Reinvestment Act of 2009 (ARRA) quarterly reporting, including reporting the jobs created under ARRA and grant expenditures for the two most recent quarters.



We conducted this performance audit in accordance with generally accepted government auditing standards which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, methodology, and criteria are more fully detailed in Appendix B.

## **Results in Brief**

To aid in determining reasonableness, allowability, and allocability of costs, we obtained from FSU all awards for which costs were reported to NSF during the period of April 1, 2010 and ending March 31, 2013. This provided an audit universe of approximately \$166 million, in more than 214,000 transactions, across 322 individual NSF awards.

Of the \$166 million in the universe, our audit questioned \$568,130 of costs claimed on 18 NSF awards because FSU did not comply with federal and NSF award requirements. Specifically, we noted: (1) \$444,966 for senior personnel charges that exceeded NSF's two-month salary limit; (2) \$96,702 for unreasonable equipment, material, and maintenance charges; (3) \$14,090 in unallocable computer and parking charges; (4) \$8,862 in unreasonable travel and supplies expenditures; and (5) \$3,510 for expenditures occurring near the award expiration date. These questioned costs resulted in five areas identified where FSU controls could be improved to ensure compliance with laws and regulations. These conditions increase the risk that NSF funds will not be used as required to accomplish other necessary project objectives.

The universe of NSF ARRA-funded awards included approximately \$19 million of expenditures, in more than 23,000 transactions, across 28 NSF awards. Our review found that FSU properly accounted for and segregated NSF ARRA-funded awards in the accounting system. Additionally, the ARRA reports were reasonable, accurate, and timely. For the quarters ending December 31, 2012 and March 31, 2013, expenditures and jobs creation were verified without exception. The allowability of costs reported for these awards were tested in conjunction with the other NSF awards. We did question \$59,822 in expenditures for 2 ARRA awards related to charges for senior personnel charges that exceeded NSF's two-month limit.

FSU reviewed and agreed with the facts for \$32,436 in questioned costs: (1) \$23,907 for unreasonable equipment, material, and maintenance charges; (2) \$3,116 for unallocable computer and parking charges; (3) \$2,958 for unreasonable travel and supplies expenditures; and (4) \$2,455 for expenditures occurring near the award expiration date. The University did not agree with \$535,694: (1) \$444,966 for senior salaries exceeding NSF limit; (2) \$72,795 for unreasonable equipment, material, and maintenance charges; (3) \$10,974 for unallocable computer charges; (4) \$5,904 for unreasonable travel and supplies expenditures; and (5) \$1,055 for expenditures occurring near the award expiration date. The findings are outlined in our report and presented by award in Appendix C.

## **Findings and Recommendations**

### **Finding 1 – Exceeded NSF Limits on Senior Salary**

Our review of the accounting and reporting of NSF senior salary costs identified senior personnel whose salary exceeded the NSF two-month salary limit.

Per NSF grant terms and conditions, grantees are fully responsible for the adherence to NSF policies. One such condition relates to senior personnel. Per NSF Award & Administration Guide (AAG), Chapter V,

Allowability of Cost, Section 1, Salaries, Wages, and Fringe Benefits, “NSF normally limits salary compensation for senior project personnel on awards made by the Foundation, to no more than two months of their regular salary in any one year. This limit includes salary received from all NSF funded grants...any *compensation for such personnel in excess of two months must be disclosed in the proposal budget, justified in the budget justification, and must be specifically approved by NSF in the award notice.*”

FSU defines senior personnel in accordance with the NSF definition and has designed its effort reporting system to identify individuals exceeding the two-month limit. On an annual basis, the system identifies senior personnel that have surpassed the NSF two-month salary limit. Individuals exceeding the limit are flagged by Faculty Assignments, Commitments, and Effort Certification Tracking (FACET) system and investigated. In instances where the limit was improperly exceeded, the responsible department is required to transfer the excess costs to a non-sponsored project.

Although FSU tracks compliance with the NSF regulation, we noted 6 of the 277 individuals selected for testing exceeded the two-month limit totaling \$251,865, excluding applicable fringe benefits and overhead. Per FSU, the individuals exceeding the NSF limit were charged to a job code that is not generally associated with senior personnel. As a result, those individuals were not flagged as errors in the FACET system.

Salary	Fringe Benefit	Overhead	Total Over
\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ 444,966

The following schedule shows the breakout of questioned costs for the 6 individuals summarized by months over and fiscal year. This summary resulted in the 12 separate instances noted in the schedule below (see Appendix D for detail by instance).

Unallowable Months	Instances Over	Salary	Fringe Benefit	Overhead	Total Over
0 – 0.9	3	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 15,037
1 – 1.9	3	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 71,007
2 – 2.9	2	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 60,512
3 – 3.9	1	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 54,137
4 – 4.9	-	\$ -	\$ -	\$ -	\$ -
5 – 5.9	1	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 57,724
6 – 6.9	1	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 66,068
7 – 7.9	1	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 120,481
	12	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 444,966

For the 12 instances noted, FSU agreed with our calculation of the overage. These excess salary costs increase the risk that funds will not be used as required to accomplish other necessary project objectives. See Appendix C for detail by award.

#### Recommendation 1:

We recommend that the NSF’s Director of the Division of Institution and Award Support (DIAS) address and resolve the following FSU recommendations:

- Work with NSF to resolve the \$444,966 of questioned costs; and



- b. Strengthen the administrative and management controls and processes for senior personnel to ensure NSF salary limits are not exceeded.

*Awardee Response:*

The University does not concur with the findings regarding senior personnel costs. While the auditors referenced the NSF Award & Administration Guide (AAG), Chapter V, Allowability of Cost, Section 1, Salaries, Wages, and Fringe Benefits to support their finding, the NSF Policy Office clarified in the Proposal & Award Policies & Procedures Guide (PAPPG) Frequently Asked Questions (FAQ) on Proposal Preparation and Award Administration published in November 2010 (<http://www.nsf.gov/pubs/policydocs/pappguide/faqs111.pdf>), that awardees are authorized to rebudget salaries after the issuance of the award.

Question #3 in the Senior Personnel section of the FAQs, states:

**Must awardees request prior NSF approval if making a change post-award to the amount originally budgeted for senior personnel salary?**

*NSF has not changed the terms and conditions or any of our post-award prior approval requirements. **Therefore, under the normal rebudgeting authority, an awardee can internally approve an increase of salary after an award is made. No prior approval from NSF is necessary.** (Emphasis added) The caveat is if the change would cause the objective or scope of the project to change, then the awardee would have to submit an approval request via FastLane. Since salary can amount to a large part of the budget, there may very well be a scope change with the addition of salary, especially if, for example, the PI decided not to hire a grad student in order to have enough money to cover the salary increase.*

NSF reaffirmed this guidance in an updated PAPPG FAQs document, released in January 2013, in the Senior Personnel section (<http://www.nsf.gov/publications/pubsumm.jsp?odskey=pappfaqs>).

**Must awardees request prior NSF approval if making a change post-award to the amount originally budgeted for senior personnel salary?**

*NSF has not changed the terms and conditions or any of our post-award prior approval requirements. See AAG Exhibit II-1. **Therefore, under the normal rebudgeting authority, an awardee can internally approve an increase in person months devoted to the project after an award is made, even if doing so results in salary support for senior personnel exceeding the 2 month salary rule. No prior approval from NSF is necessary.** (Emphasis added) The caveat is if the change would cause the objective or scope of the project to change, then the awardee would have to submit an approval request via FastLane. Since salary can amount to a large part of the budget, there may very well be a scope change with the addition of salary, especially if, for example, the PI decided not to hire a grad student in order to have enough money to cover the salary increase.*

Based on the guidance from the NSF Policy Office, the University has determined that the senior personnel salary costs were appropriately allocated to NSF awards under the rebudgeting authority noted above. Furthermore, we believe the auditors' observation that excess salary costs increase the risk that funds will not be used as required to accomplish other necessary project objectives is inconsistent with NSF's policy to allow PIs the flexibility to rebudget as needed during the project, provided there is no change in scope. The PI always has the responsibility to ensure that the project is not put at risk due to any management decisions.

*Auditor Comments:*

As noted previously, FSUs time and effort system was designed to identify individuals exceeding the senior salary limit. In instances where the limit was improperly exceeded, the responsible department was required to transfer the excess costs to a non-sponsored project. The individuals in this finding were charged to a job code that is not generally associated with senior personnel; and therefore, they were not identified, investigated, and corrected during their annual review process.

Additionally, FSU interpreted the November 2010 FAQ on Proposal Preparation and Award Administration which states, NSF has not “changed the terms and conditions or any of our post-award prior approval requirements. Therefore, under the normal rebudgeting authority, an awardee can internally approve an increase of salary after an award is made,” to mean the two-month salary limit on senior personnel could be disregarded post award. The FAQ made no mention of the ability to disregard or violate the NSF AAG. Furthermore, informal communication in a FAQ does not supersede the official policy per the AAG. Therefore, the report finding remains as previously stated.

*Finding 2 – Unreasonable Equipment, Materials and Maintenance Charges*

We questioned equipment, materials, supplies, and maintenance expenses totaling \$96,702 charged to six NSF awards that were not necessary or reasonable in accordance with 2 Code of Federal Regulations (CFR) 220 (Office of Management and Budget (OMB) Circular A-21).

According to 2 CFR 220, Appendix A, Section C, to be allowable for a federal grant, a cost must be allocable to the federal award and be necessary and reasonable for the administration and performance of the award. Furthermore, Section C.3 provides that a reasonable cost is one that a “prudent person” would have incurred under similar circumstances.

2 CFR 220, Appendix A, Section C.4 states that a “...cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.... The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.” Section A states that “the accounting practices of individual colleges and universities must support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to sponsored agreements.”

We questioned \$65,454 in unreasonable equipment and maintenance charges related to two awards where the NSF Program Office required budget reductions. Equipment and maintenance was either reduced or eliminated from the budget due to the required funding reductions:

- \$49,502 in unreasonable equipment charges related to nine transactions charged to one award in the last 46 days before (\$48,099) and 67 days after (\$1,403) award expiration. Additionally, the original NSF award budget included an equipment budget of \$25,000. The NSF Program Office required budget reductions and the equipment budget was reduced to \$8,505. We are not questioning the rebudgeting authority of the University. We are questioning whether it was reasonable or prudent for the awardee to claim equipment charges 82 percent over the approved equipment budget in the last 46 days before and 67 days after the award expiration; and

- \$15,952 in unreasonable laser maintenance charges related to three transactions. The original NSF award budget included \$30,000 for laser maintenance; however, the NSF Program Office required budget reductions and the laser maintenance budget was eliminated. Per the NSF requested budget revision, the Principal Investigator (PI) stated, “the laser maintenance fee of \$30,000 for next three years has been cut...I will seek other funding to cover this cost.” We are not questioning the rebudgeting authority, but whether it was reasonable or prudent for the awardee to claim laser maintenance charges after they agreed to seek other funding to cover the costs.

We questioned \$23,907 charged to three awards for computers purchased near the award expiration that did not appear to benefit the award or that did not appear necessary considering the limited time remaining on the awards.

- \$12,360 for two Dell precision work stations purchased on June 7, 2010 on a three-year award that expired on June 30, 2010. The work stations were available for 2 percent of the grant life (23 out of 1,080 days). FSU agreed that these costs should be removed from the award. NSF, during audit resolution, should ensure that the awards are credited as appropriate;
- \$9,491 for the purchase of two workstations on August 25, 2011 on a three-year award that expired August 31, 2011. One of the computers was invoiced August 30th and the other September 6, 2011. The computers were not available for use during the award period. FSU agreed that these costs should be removed from the award. NSF, during audit resolution, should ensure that the awards are credited as appropriate; and
- \$2,056 for a Dell laptop computer that was purchased on November 9, 2010 on a four-year award that expired on March 31, 2011. The computer was only available for 10 percent of the grant life (143 out of 1,445 days). Additionally, the total purchase price of the computer equaled 7 percent of the cumulative award budget and the PI stated that the computer was not used exclusively on the award. FSU agreed that these costs should be removed from the award. NSF, during audit resolution, should ensure that the awards are credited as appropriate.

Additionally, we questioned \$7,341 for the purchase of a freeze dryer, drying chamber, and vacuum pump near the award expiration that did not appear to benefit the award or that did not appear necessary considering the limited time remaining on the award. The freeze dryer, drying chamber and vacuum pump shipped on August 25, 2012 and August 27, 2012, respectively, on a four-year award that expired on August 31, 2012. The equipment was available for less than one percent of the grant life (6 out of 1,460 days).

FSU personnel did not adequately review the propriety of these expenditures charged to NSF awards which resulted in unreasonable costs. Without a process in place to ensure the reasonableness of equipment, materials, supplies, and maintenance expenses, especially close to award expiration, there is the increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with federal and NSF requirements. NSF, during audit resolution, should ensure that the awards are credited as appropriate.

#### *Recommendation 2:*

We recommend that the NSF’s Director of the DIAS address and resolve the following FSU recommendations:

- a. Work with NSF to resolve the \$96,702 of questioned costs; and

- b. Strengthen the administrative and management controls and processes for reviewing and approving equipment charged to NSF awards. Allocations that cannot be supported and documented using reasonable methods and in reasonable time periods should be charged to a non-sponsored activity or indirect cost, as appropriate.

*Awardee Response:*

Regarding the equipment charges totaling \$49,502, the PI stated in his proposal, "*much effort has been devoted to developing additional data taking procedures, and many procedures for analysis of the complex data.*" He further stated, "*Following [REDACTED], we [REDACTED]*" [REDACTED] [REDACTED] The PI determined during the award period that this equipment was needed in order to develop new methods and adapt his existing technology. While, the purchases benefited a continuous stream of NSF awards from 2004 to 2017, which comprise funding for the same or very similar scopes of work related to the study of [REDACTED], it does not alter the fact that the purchase was made to meet the aims included in the proposal. Furthermore, subsequent use is supported in the provision of OMB Circular A-21 section C(4)(a), which states, "*where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.*" The fact that the rebudget resulted in an additional 82% being charged to the equipment budget is irrelevant since these purchases did not constitute a change in scope and were necessary to accomplish the aims of his proposal; accordingly, these charges were reasonable and are allowable.

The \$15,952 expended for laser maintenance represented charges that were detailed in the proposal justification and were critical to carrying out the scope of work. The award was not funded for the full amount; therefore, the PI was required to submit a revised budget. As was mentioned in the budget revision, the PI sought other funding to cover the laser maintenance, but was unsuccessful in his attempt. Therefore, the PI exercised his authority to rebudget in order to cover the cost of the laser maintenance, which was necessary in order to ensure the availability of a functioning laser needed to complete the work on the project. Universities are granted the authority to rebudget as necessary without prior agency approval provided there is not a change in the scope of the project. This purchase did not constitute a change in scope and was necessary for the project; therefore, the charges were reasonable and allowable.

The \$7,341 expended for the purchase of a freeze dryer, drying chamber and vacuum pump represent items needed to accomplish a critical phase of the research on the project. During the course of the project, the 30 year old freeze dryer repeatedly broke down and required repair, causing a substantial backlog in unprocessed material. This material had to be processed in order to complete the work supported by the award. Eventually the dryer was not repairable due to the unavailability of parts for such an old piece of equipment. The PI would have been unable to complete his analysis and produce the final technical report without these items. Therefore, these purchases were essential to and benefited the project and are allowable.

The University agrees with the remaining \$23,907 in this finding. In recent years, the University has strengthened compliance through the implementation of stronger internal controls and we are confident these charges would have been prevented or discovered under our current control environment.

*Auditor Comments:*

The equipment charges were not specifically authorized under the sponsored agreement. Per FSU, the \$49,502 for equipment charges benefited a continuous stream of NSF awards from 2004 to 2017, which

comprise funding for the same or very similar scopes of work related to the study of ions. The purchase should have charged to the awards for which they benefited. It was not reasonable or prudent for the awardee to claim equipment charges 82 percent over the approved equipment budget in the last 46 days before and 67 days after the award expiration. Therefore, the report finding related to this matter remains as previously stated.

The inclusion of the laser maintenance charges, specifically removed from the original grant application, was not reasonable or prudent. Per the PI in the revised budget justification, “the laser maintenance fee of \$30,000 for next three years has been cut. The laser system is aging and will require major maintenance in the next three years. I will seek other funding to cover this cost.” Therefore, the report finding related to the \$15,952 for the laser maintenance charges remains as previously stated.

The purchase may have provided some benefit to the award, however, given the limited time remaining that benefit is greater for future research projects. \$7,341 for the purchase of a freeze dryer, drying chamber, and vacuum pump, one week prior to the award expiration was not reasonable or prudent considering the limited time remaining on the award. Therefore, the report finding related to this matter remains as previously stated.

FSU’s response to the \$23,907 for computers purchased near the award expiration is responsive to the issue noted in this finding. Once NSF determines that the recommendation has been adequately addressed and the \$23,907 in questioned costs has been returned, this issue should be closed.

### *Finding 3 –Unallocable Computer and Parking Charges*

We questioned \$14,090 in computer purchases and parking charged to three NSF awards that were not allocable in accordance with 2 CFR 220 (OMB Circular A-21).

Section C.4 of 2 CFR 220 (OMB Circular A-21) “...cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods...The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.” Section A states that “the accounting practices of individual colleges and universities must support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to sponsored agreements.”

Specifically, we questioned \$13,857 for the purchase of computers that were allocated to NSF awards using unsupported allocation methodologies. The allocation percentages provided were FSU estimates and the reasonableness and accuracy of the methodology could not be determined:

- \$11,818 for the purchase of five computers charged to one NSF award. Per FSU, the computers were not used exclusively on the NSF award, but were charged entirely to the award. The usage of the computers was split between research, dissertation, coursework, and professional activities in varying percentages. However, we were given conflicting statements about the determined usage and no support was provided for either; and
- \$2,039 for the purchase of a MacBook Air laptop. FSU indicated that the use of the laptop was split between two functions, research (75 percent) and professional activities (25 percent), but the

entire purchase price was charged to NSF. Other than a user statement, no support was provided for the determined usage percentages, and therefore, the entire purchase price is questioned.

FSU personnel did not adequately review the usage of the computers charged to the NSF awards which resulted in unreasonable costs. Without a process in place to ensure the reasonableness of computer usage, there is the increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with federal and NSF requirements. NSF, during audit resolution, should ensure that the awards are credited as appropriate.

Additionally, we questioned \$233 for interdepartmental parking expenses that should have been recorded to an unallowable account code, were charged to the NSF award in error. FSU discovered the error when providing the audit documentation and indicated that it has taken corrective action to remove the charges. NSF, during audit resolution, should ensure that the awards are credited as appropriate.

*Recommendation 3:*

We recommend that the NSF's Director of the DIAS address and resolve the following FSU recommendations:

- a. Work with NSF to resolve the \$14,090 of questioned costs; and
- b. Strengthen the administrative and management controls and processes for reviewing allocated expenses to ensure the approximated proportions are properly documented and appropriately applied. Where costs cannot be allocated across projects using reasonable methods that can be supported and documented, FSU should treat these as facilities and administrative (F&A) costs. Allocations that cannot be supported and documented using reasonable methods and in reasonable time periods should be charged to a non-sponsored activity or indirect cost, as appropriate.

*Awardee Response:*

The University does not concur with the \$13,857 finding for the purchase of computers. In section V.B.2d of the NSF 10-1 PAPPG in effect during the audit period it states, "expenditures for general purpose equipment are normally unallowable unless the equipment is primarily or exclusively used in the actual conduct of research" (Emphasis added). As additional information was gathered we determined the computer purchases included in the \$13,857, with the exception of two computers, which totaled \$2,883, were used primarily on the awards charged. Furthermore, the computers were purchased based on the need for the items to perform the work outlined in the project. On one of the projects in question, the graduate students employed on the grant used the computers exclusively for work on the project during their compensated hours. Any incidental use of the computers outside of their work schedules should not negate the fact the computers were used primarily for the research project. Given the provision provided in section V.B.2d of the PAPPG, the University's determination that these computers were purchased to execute the scope of work, and that their use was primarily to conduct research on these projects, the computer purchases totaling \$10,974 are an allowable cost. We concur that the computer purchases totaling \$2,883 should be deemed unallowable.

The University disagrees that the \$233 for interdepartmental parking expenses should be included in the audit findings. While the University does agree this was an unallocable transaction; it was sampled from an ongoing award and the charge would have been moved to a non-sponsored source of funds during the University's closeout of the award. As a general practice, Sponsored Research Administration, the University's central department responsible for award management, reviews expenditures over \$1,000 for



compliance prior to charging contracts and grants. Expenditures below this threshold are reviewed during the close-out process and any expenses deemed unallowable are moved to a non-sponsored source of funds. This parking expense was removed from the award once it was identified in the audit sample, and the University's procedures in place provide reasonable assurance that unallowable charges such as these are ultimately identified and handled appropriately.

*Auditor Comments:*

FSU agrees that computer purchases totaling \$2,883 are unallowable; however, with respect to the other costs questioned (\$10,974) FSU does not concur. It is the University's determination that these computers were purchased to execute the scope of work, and that their use was primarily to conduct research on these projects. However, FSU cannot support their assertion that the computers were primarily used for research. The allocation percentages provided were estimates and the reasonableness and accuracy of the methodology could not be determined. Therefore, the report finding remains as previously stated.

FSU stated that the \$233 for interdepartmental parking expense charges would have been moved to a non-sponsored source of funds during the University's closeout of the award. Once NSF determines that the recommendation has been adequately addressed and the \$233 in questioned costs has been returned, this issue should be closed.

*Finding 4 – Unreasonable Travel and Supplies Expenditures*

We questioned travel and supplies totaling \$8,862 charged to two NSF awards that were not reasonable in accordance with 2 CFR 220 (OMB Circular A-21).

According to 2 CFR 220, Appendix A, Section C, to be allowable for a federal grant, a cost must be allocable to the federal award and be necessary and reasonable for the administration and performance of the award. Furthermore, Section C.3 provides that a reasonable cost is one that a “prudent person” would have incurred under similar circumstances.

Furthermore, according to 2 CFR 220, Appendix A, Section F.6.b(3), items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

We questioned \$6,107 for travel expenses related to a foreign conference. The PI traveled to a conference [REDACTED] with a graduate student and another individual (for which most charges were removed by FSU prior to our audit). After the conference [REDACTED] the travelers intended to visit the laboratory of a collaborator at [REDACTED]. The original flight was departing [REDACTED] on April 16, 2010 to travel to [REDACTED] and then departing [REDACTED] on April 19, 2010 to return to Tallahassee. Due to a [REDACTED] the return travel was disrupted and air traffic was shut down [REDACTED].

The PI decided not to travel to [REDACTED] and not to wait until the original flight could be rescheduled; instead the PI decided they would return home by any means possible. The PI's decision to return by any means possible resulted in the following unreasonable travel expenses:

- \$4,597 for two airline tickets purchased for the PI and graduate student to return to Tallahassee on April 23, 2010. In addition to these tickets, the original non-refundable round-trip airfare was also charged to the award;

- \$823 taxi fare to the airport. The PI did not realize until after he booked a flight, that the flight left from a different airport than he thought. The PI stated that there was no scheduled bus or train service to the other airport and therefore they had to take a taxi;
- \$309 for train tickets to travel to [REDACTED] that the travelers did not use due to the flight cancellation;
- \$203 for increased lodging costs due to the second individual staying in the PI's room. FSU agreed that these costs should be removed from the award. NSF, during audit resolution, should ensure that the awards are credited as appropriate; and
- \$175 for a lodging reservation made in [REDACTED] that the travelers did not use.

These unreasonable travel expenditures were due to a series of imprudent and impulsive decisions made by the PI due to [REDACTED] that caused air travel to be temporarily interrupted.

We questioned \$2,755 for the purchase of toner cartridges throughout the life of an award. Per FSU, "This project originally did not have a Cost Accounting Standards Exemption Form (CAS) thus all the toner charges were moved off the project. Once a CAS was obtained, the charges were moved back onto the award. However, the entire amount could not be put back as there were not enough available funds." The CAS was signed and approved on October 30, 2012, 91 days after award expiration on July 31, 2012. FSU agreed that these costs should be removed from the award. NSF, during audit resolution, should ensure that the awards are credited as appropriate.

#### *Recommendation 4:*

We recommend that the NSF's Director of the DIAS address and resolve the following FSU recommendations:

- a. Work with NSF to resolve the \$8,862 of questioned costs;
- b. Strengthen the administrative and management controls and processes for reviewing and approving costs that are not necessary or reasonable for the administration and performance of the award; and
- c. Strengthen the administrative and management controls and processes for reviewing and approving expenses for travel to determine reasonableness and necessity for the award, especially where travel plans are affected by weather related or extenuating circumstances.

#### *Awardee Response:*

The University does not concur with the total of \$6,107 in disallowed costs associated with travel expenses related to a foreign conference. The PI's travel was interrupted by an unforeseen natural disaster causing major travel challenges. Given the facts provided, the PI's responsibility for the safety of his research team, and the need to ensure a means of returning home in a time of uncertainty regarding the suspension of air traffic, it is reasonable and prudent that the PI made the decision to return to Tallahassee in the most expedient means available. The PI was faced with the possibility that all air travel in his locale could be grounded at any time due to [REDACTED]. If the PI had chosen to stay or was forced to stay for an additional time period until the natural disaster was contained, additional travel costs still would have been incurred. It is difficult to now compare the increased travel costs that would have been incurred to stay [REDACTED] in relation to the costs that were incurred to leave immediately, years after the travel occurred. Consequently, the University believes the costs are reasonable and allowable and supports the PI's decision to consider the well-being of his student by leaving the country in an expeditious manner.



given the unknown circumstances. The University does agree that the \$203 for increased lodging costs associated with the second individual should be deemed as unallowable.

The University concurs with the \$2,755 finding for toner cartridges, although the charges qualified for a cost accounting standards exemption. In recent years, the University has strengthened compliance through the implementation of stronger internal controls and we are confident this charge would have been prevented or discovered under our current control environment.

*Auditor Comments:*

FSU's response to the \$203 for increased lodging costs is responsive to the issue noted in this finding. The PI's hasty decisions resulted in excess costs that were not necessary or prudent given the circumstances. Because of the PI's choices, the travelers original flights were forfeited, unnecessary train tickets were purchased, prepaid hotel costs were lost, and an excessive taxi fare was incurred. Therefore, the report finding related to the outstanding \$5,904 remains as previously stated.

FSU's response to the \$2,755 for toner cartridges is responsive to the issue noted in this finding. Once NSF determines that the recommendation has been adequately addressed and the \$2,755 in questioned costs has been returned, this issue should be closed.

*Finding 5 – Expenditures Near Award Expiration*

We questioned \$3,510 for expenditures on two NSF awards, one award had travel that was obligated and paid for prior to award expiration, but the travel occurred after the award expiration; and, the other award had supplies purchased after the award expiration.

According to 2 CFR 220, Appendix A, Section C, to be allowable for a federal grant, a cost must be allocable to the federal award and be necessary and reasonable for the administration and performance of the award.

Additionally, per the NSF AAG, Chapter 1D, the award "expiration date is the date specified in the grant notice after which expenditures may not be charged against the grant..."

Specifically, we questioned \$2,455 for airfare purchased from Tallahassee, FL to Amsterdam, Netherlands departing June 14, 2010 on an award that expired on May 31, 2010. The PI flew from Amsterdam to Bristol, UK to attend a conference that began June 16, 2010 and ended June 18, 2010. The PI did not return to Tallahassee, FL from Amsterdam, NL until June 25, 2010. FSU agreed that these costs should be removed from the award. NSF, during audit resolution, should ensure that the awards are credited as appropriate.

Additionally, we questioned \$1,055 for the purchase of capsules after the award expiration. The supplies were purchased on January 3, 2011 on an award that expired December 31, 2010.

FSU personnel did not adequately review these selected transaction expenditures. Without a process in place to ensure the proper monitoring of expenditures and purchases near award expiration, there is the increased risk that funds may not be used as required to accomplish the necessary project objectives in accordance with Federal and NSF requirements.

*Recommendation 5:*

We recommend that the NSF's Director of the DIAS address and resolve the following FSU recommendations:

- a. Work with NSF to resolve the \$3,510 of questioned costs; and
- b. Strengthen the administrative and management controls and processes for reviewing expenses, in addition to ones occurring near or after award expiration. Allocations that cannot be supported and documented using reasonable methods and in reasonable time periods should be charged to a non-sponsored activity or as indirect cost as appropriate.

*Awardee Response:*

The University concurs with the \$2,455 finding for airfare costs. The PI incorrectly listed the actual travel dates of June 16-18, 2010 in the "comments" section of the travel authorization request (TAR). The travel dates of April 5-7, 2010 were listed within the TAR as the departure and arrival dates. The April dates were compared against the project period when the trip was reviewed for allowability and the comments" section was overlooked in the approval process.

The University disagrees with the \$1,055 finding for the purchase of capsules. Through the Purchase Order issued on December 8, 2010, the PI intended to replenish her supply room for the tin capsules that were used on the research project. The PI tracked the number of tin capsules used during the life of the award and ordered the replenishment quantity based on actual usage. The original tin capsules were used during the project period and directly benefitted the award; therefore, the late delivery of the items is irrelevant since the tin capsules were to replenish the PI's stock inventory. These costs are allowable.

*Auditor Comments:*

FSU's response to the \$2,455 for airfare costs is responsive to the issue noted in this finding. Once NSF determines that the recommendation has been adequately addressed and the \$2,455 in questioned costs has been returned, this issue should be closed.

No documentation was provided to support the PI claim for the \$1,055 capsule purchase; and therefore, the reasonableness and accuracy of the statement cannot be determined. Consequently, the report finding for the purchase of the capsules remains as previously stated.

A handwritten signature in blue ink that reads "William Smith + Brown, PC".

September 4, 2015

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## **APPENDICES**

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AWARDEE RESPONSE

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FLORIDA STATE UNIVERSITY | OFFICE *of the* VICE PRESIDENT *for* RESEARCH



September 4, 2015

[REDACTED]  
Partner  
WithumSmith+Brown  
Two Logan Square  
Eighteenth and Arch Streets, Suite 2001  
Philadelphia, Pennsylvania 19103-2726

Dear [REDACTED]

Florida State University has reviewed the draft report received on August 14, 2015, entitled "*Florida State University, Audit of Incurred Costs for National Science Foundation Awards for the Period April 1, 2010 to March 31, 2013.*"

Pursuant to the audit report, we have determined that our internal controls are working well. We were pleased to learn that the University's effort reporting system is exceptional in its ability to track compliance with the National Science Foundation (NSF) salary limitation, as noted by the auditors in our discussions, in comparison to other institutions of higher education. The University remains committed to continuous improvement for the management and oversight of NSF sponsored projects. The recommendations contained in this audit report will be thoroughly evaluated in conjunction with the University's established policies and procedures, and enhancements will be made as needed.

As requested, please find the University's response to each of the findings outlined in the report. It is important to note that the University was required to furnish documentation and responses to support many transactions within a short timeframe. Due to the large amounts of data requested, the University did not, in all cases, have adequate time to fully research the issues brought forward during the audit. We have worked diligently to conduct additional research and provide relevant facts to support the questioned transactions. The University welcomes the opportunity to comment on the audit report and appreciates the professionalism exhibited by the auditors during the course of the audit.

**Finding 1: Exceeded NSF Limits on Senior Salary**

The University does not concur with the findings regarding senior personnel costs. While the auditors referenced the NSF Award & Administrative Guide (AAG), Chapter V, Allowability of Cost, Section 1, Salaries, Wages, and Fringe Benefits to support their finding, the NSF Policy Office clarified in the Proposal & Award Policies & Procedures Guide (PAPPG) FAQs on Proposal Preparation and Award Administration published in November 2010 ([http://www.nsf.gov/pubs/policydocs/pappguide/faqs11\\_1.pdf](http://www.nsf.gov/pubs/policydocs/pappguide/faqs11_1.pdf)), that awardees are authorized to rebudget salaries after the issuance of the award.

## AWARDEE RESPONSE

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Question #3 in the Senior Personnel section of the FAQs, states:

***Must awardees request prior NSF approval if making a change post-award to the amount originally budgeted for senior personnel salary?***

*NSF has not changed the terms and conditions or any of our post-award prior approval requirements. **Therefore, under the normal rebudgeting authority, an awardee can internally approve an increase of salary after an award is made. No prior approval from NSF is necessary.** (Emphasis added) The caveat is if the change would cause the objective or scope of the project to change, then the awardee would have to submit an approval request via FastLane. Since salary can amount to a large part of the budget, there may very well be a scope change with the addition of salary, especially if, for example, the PI decided not to hire a grad student in order to have enough money to cover the salary increase.*

NSF reaffirmed this guidance in an updated PAPPG FAQs document, released in January 2013, in the Senior Personnel section ([http://www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=pappfaqs](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappfaqs)).

***Must awardees request prior NSF approval if making a change post-award to the amount originally budgeted for senior personnel salary?***

*NSF has not changed the terms and conditions or any of our post-award prior approval requirements. See AAG Exhibit II-I. **Therefore, under the normal rebudgeting authority, an awardee can internally approve an increase in person months devoted to the project after an award is made, even if doing so results in salary support for senior personnel exceeding the 2 month salary rule. No prior approval from NSF is necessary.** (Emphasis added) The caveat is if the change would cause the objective or scope of the project to change, then the awardee would have to submit an approval request via FastLane. Since salary can amount to a large part of the budget, there may very well be a scope change with the addition of salary, especially if, for example, the PI decided not to hire a grad student in order to have enough money to cover the salary increase.*

Based on the guidance from the NSF Policy Office, the University has determined that the senior personnel salary costs were appropriately allocated to NSF awards under the rebudgeting authority noted above. Furthermore, we believe the auditors' observation that excess salary costs increase the risk that funds will not be used as required to accomplish other necessary project objectives is inconsistent with NSF's policy to allow PIs the flexibility to rebudget as needed during the project, provided there is no change in scope. The PI always has the responsibility to ensure that the project is not put at risk due to any management decisions.

#### **Finding 2: Unreasonable Equipment, Materials and Maintenance Charges**

The University does not concur with the following items included in this finding:

- Regarding the equipment charges totaling \$49,502, the PI stated in his proposal, "much effort has been devoted to developing additional data taking procedures, and many procedures for analysis of the complex data." He further stated, "Following mass measurements on light ions, we [REDACTED] The PI determined during the award period that this equipment was needed in order to develop new methods and adapt his existing technology. While, the purchases benefited a continuous stream of NSF awards from 2004 to 2017, which comprise funding

## AWARDEE RESPONSE

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for the same or very similar scopes of work related to the study of ions, it does not alter the fact that the purchase was made to meet the aims included in the proposal. Furthermore, subsequent use is supported in the provision of OMB Circular A-21 section C(4)(a), which states, *“where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.”* The fact that the rebudget resulted in an additional 82% being charged to the equipment budget is irrelevant since these purchases did not constitute a change in scope and were necessary to accomplish the aims of his proposal; accordingly, these charges were reasonable and are allowable.

- The \$15,952 expended for laser maintenance represented charges that were detailed in the proposal justification and were critical to carrying out the scope of work. The award was not funded for the full amount; therefore, the PI was required to submit a revised budget. As was mentioned in the budget revision, the PI sought other funding to cover the laser maintenance, but was unsuccessful in his attempt. Therefore, the PI exercised his authority to rebudget in order to cover the cost of the laser maintenance, which was necessary in order to ensure the availability of a functioning laser needed to complete the work on the project. Universities are granted the authority to rebudget as necessary without prior agency approval provided there is not a change in the scope of the project. This purchase did not constitute a change in scope and was necessary for the project; therefore, the charges were reasonable and allowable.
- The \$7,341 expended for the purchase of a freeze dryer, drying chamber and vacuum pump represent items needed to accomplish a critical phase of the research on the project. During the course of the project, the 30 year old freeze dryer repeatedly broke down and required repair, causing a substantial backlog in unprocessed material. This material had to be processed in order to complete the work supported by the award. Eventually the dryer was not repairable due to the unavailability of parts for such an old piece of equipment. The PI would have been unable to complete his analysis and produce the final technical report without these items. Therefore, these purchases were essential to and benefited the project and are allowable.

The University agrees with the remaining \$23,907 in this finding. In recent years, the University has strengthened compliance through the implementation of stronger internal controls and we are confident these charges would have been prevented or discovered under our current control environment.

### Finding 3: Unallocable Transactions

The University does not concur with all of the items included in this finding.

The University does not concur with the \$13,857 finding for the purchase of computers. In section V.B.2d of the NSF 10-1 PAPPG in effect during the audit period it states, *“expenditures for general purpose equipment are normally unallowable unless the equipment is primarily or exclusively used in the actual conduct of research”* (Emphasis added). As additional information was gathered we determined the computer purchases included in the \$13,857, with the exception of two computers, which totaled \$2,883, were used primarily on the awards charged. Furthermore, the computers were purchased based on the need for the items to perform the work outlined in the project. On one of the projects in question, the graduate students employed on the grant used the computers exclusively for work on the project during their compensated hours. Any incidental use of the computers outside of their work schedules should not negate the fact the computers were used primarily for the research project. Given the provision provided in section V.B.2d of



**AWARDEE RESPONSE**

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the PAPPG, the University's determination that these computers were purchased to execute the scope of work, and that their use was primarily to conduct research on these projects, the computer purchases totaling \$10,974 are an allowable cost. We concur that the computer purchases totaling \$2,883 should be deemed unallowable.

The University disagrees that the \$233 for interdepartmental parking expenses should be included in the audit findings. While the University does agree this was an unallocable transaction; it was sampled from an ongoing award and the charge would have been moved to a non-sponsored source of funds during the University's closeout of the award. As a general practice, Sponsored Research Administration, the University's central department responsible for award management, reviews expenditures over \$1,000 for compliance prior to charging contracts and grants. Expenditures below this threshold are reviewed during the close-out process and any expenses deemed unallowable are moved to a non-sponsored source of funds. This parking expense was removed from the award once it was identified in the audit sample, and the University's procedures in place provide reasonable assurance that unallowable charges such as these are ultimately identified and handled appropriately.

**Finding 4: Unreasonable Expenditures**

The University does not concur with all of the items in this finding.

The University does not concur with the total of \$6,107 in disallowed costs associated with travel expenses related to a foreign conference. The PI's travel was interrupted by an unforeseen natural disaster causing major travel challenges. Given the facts provided, the PI's responsibility for the safety of his research team, and the need to ensure a means of returning home in a time of uncertainty regarding the suspension of air traffic, it is reasonable and prudent that the PI made the decision to return to Tallahassee in the most expedient means available. The PI was faced with the possibility that all air travel in his locale could be grounded at any time due to the eruption. If the PI had chosen to stay or was forced to stay for an additional time period until the natural disaster was contained, additional travel costs still would have been incurred. It is difficult to now compare the increased travel costs that would have been incurred to stay [REDACTED] in relation to the costs that were incurred to leave immediately, years after the travel occurred. Consequently, the University believes the costs are reasonable and allowable and supports the PI's decision to consider the well-being of his student by leaving the country in an expeditious manner given the unknown circumstances.

The University does agree that the \$203 for increased lodging costs associated with the second individual should be deemed as unallowable.

The University concurs with the \$2,755 finding for toner cartridges, although the charges qualified for a cost accounting standards exemption. In recent years, the University has strengthened compliance through the implementation of stronger internal controls and we are confident this charge would have been prevented or discovered under our current control environment.

**Finding 5: Expenditures After Award Expiration**

The University does not concur with all of the items in this finding.

The University concurs with the \$2,455 finding for airfare costs. The PI incorrectly listed the actual travel dates of June 16-18, 2010 in the "comments" section of the travel authorization request (TAR). The travel dates of April 5-7, 2010 were listed within the TAR as the departure and arrival dates. The April dates were

AWARDEE RESPONSE

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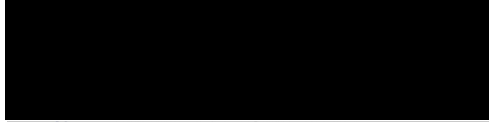
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compared against the project period when the trip was reviewed for allowability and the "comments" section was overlooked in the approval process.

The University disagrees with the \$1,055 finding for the purchase of tin capsules. Through the Purchase Order issued on December 8, 2010, the PI intended to replenish her supply room for the tin capsules that were used on the research project. The PI tracked the number of tin capsules used during the life of the award and ordered the replenishment quantity based on actual usage. The original tin capsules were used during the project period and directly benefitted the award; therefore, the late delivery of the items is irrelevant since the tin capsules were to replenish the PI's stock inventory. These costs are allowable.

We look forward to working with NSF to promptly resolve all of the audit findings outlined above.

Sincerely,

A large black rectangular redaction box covering the signature of the Vice President for Research.A small, handwritten blue mark, possibly a stylized 'U' or a checkmark, located below the redacted signature.

Vice President for Research



**OBJECTIVES, SCOPE, AND METHODOLOGY**

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Our audit included assessing the allowability, allocability and reasonableness of costs claimed by FSU on the quarterly Federal Financial Reports (FFR) for the three-year period beginning April 1, 2010 and ending March 31, 2013. We also reviewed the accuracy, reasonableness, and timeliness of FSU's ARRA reporting.

The audit was performed in accordance with generally accepted government auditing standards for performance audits. The audit objectives were to:

1. Identify and report on instances of unallowable, unallocable, and unreasonable costs from the transactions tested;
2. Identify and report on instances of noncompliance with regulations, Federal financial assistance requirements (e.g. OMB Circulars), and the provisions of the NSF award agreements as relates to the transactions tested; and
3. Determine the reasonableness, accuracy, and timeliness of the awardee's ARRA quarterly reporting, including reporting of jobs created under ARRA and grant expenditures for the two most recent quarters.

To accomplish our objectives, we reviewed the FSU's policies, procedures, and systems, and interviewed appropriate FSU personnel responsible for establishing and implementing control policies, procedures, and systems. We assessed the reasonableness, accuracy, and timeliness of the awardee's ARRA quarterly reporting, including reporting of jobs created under ARRA and grant expenditures for the two most recent quarters, by (1) recomputing the number of jobs created or retained in compliance with OMB Memorandum M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*; (2) reconciled expenditures per the general ledger to the ARRA expenditures; and (3) reviewed the ARRA reporting submission dates.

To aid in determining reasonableness, allowability, and allocability of costs, we obtained from NSF all awards for which costs were reported to NSF during the period of April 1, 2010 and ending March 31, 2013. This provided an audit universe of approximately \$166 million, in more than 214,000 transactions, across 322 individual NSF awards and an NSF ARRA universe of approximately \$19 million, in more than 23,000 transactions, across 28 awards.

Our work required reliance on computer-processed data obtained from FSU and NSF. At our request, FSU provided detailed transaction data for all costs charged to NSF awards during our audit period. We also obtained award data directly from NSF which was collected by directly accessing NSF's various data systems. To select transactions for further review, we designed and performed automated tests of FSU and NSF data to identify areas of risk and conducted detailed reviews of transactions in those areas.

We assessed the reliability of the data provided by FSU by: (1) comparing costs charged to NSF award accounts within FSU's accounting records to reported net expenditures, as reflected in FSU's quarterly financial reports submitted to NSF for the corresponding periods; (2) performing general ledger to sub-ledger reconciliations of accounting data; and (3) reviewing and testing the parameters FSU used to extract transaction data from its accounting records and systems.

Based on our testing, we found FSU computer-processed data sufficiently reliable for the purposes of this audit. We did not review or test whether the data contained in, or controls over, NSF's databases were

**OBJECTIVES, SCOPE, AND METHODOLOGY**

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accurate or reliable; however the independent auditors' report on NSF's financial statements for fiscal years 2010 and 2011 found no reportable instances in which NSF's financial management systems did not substantially comply with applicable requirements.

In assessing the allowability of costs reported to NSF by FSU, we also gained an understanding of the internal controls applicable to the scope of this audit through interviews with FSU, review of policies and procedures, and conducting walkthroughs as applicable. We conducted this performance audit in accordance with generally accepted government auditing standards [*Government Auditing Standards (2011 version)*] which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed FSU's compliance with the University's internal policies and procedures, as well as the following:

- Public Law 111-5, *American Recovery and Reinvestment Act of 2009*;
- OMB Circular A-21, *Cost Principles for Educational Institutions* (2 C.F.R., Part 220);
- OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (2 C.F.R., Part 215);
- OMB Memorandum M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*;
- NSF Proposal and Award Policies and Procedures Guide (includes Grant Proposal Guide and Award and Administrative Guide);
- NSF Award Specific Terms and Conditions; and
- NSF Federal Demonstration Partnership Terms and Conditions.

**QUESTIONED COST SUMMARY BY AWARD**

<b>Award ID</b>	<b>ARRA Designator</b>	<b>Salary Questioned</b>	<b>Fringe Benefit Questioned</b>	<b>Overhead Questioned</b>	<b>Total Questioned</b>
Finding 1 – Exceeded NSF Limits on Senior Salary					
██████████		██████████	██████████	██████████	\$ 354,214
██████████	ARRA	██████████	██████████	██████████	39,247
██████████		██████████	██████████	██████████	24,646
██████████	ARRA	██████████	██████████	██████████	20,575
██████████		██████████	██████████	██████████	3,619
██████████		██████████	██████████	██████████	2,665
<b>Total</b>		<b>\$ ██████████</b>	<b>██████████</b>	<b>██████████</b>	<b>\$ 444,966</b>

<b>Award ID</b>	<b>ARRA Designator</b>	<b>Amount Questioned</b>	<b>Overhead Questioned</b>	<b>Total Questioned</b>
Finding 2 – Unreasonable Equipment, Materials, and Maintenance Charges				
0652849		\$ 49,502	\$ -	\$ 49,502
0907262		15,952	-	15,952
0722782		12,360	-	12,360
0818583		9,491	-	9,491
0822547		7,341	-	7,341
0649394		2,056	-	2,056
<b>Finding 2 Total</b>		<b>\$ 96,702</b>	<b>\$ -</b>	<b>\$ 96,702</b>

Finding 3 – Unallocable Computer and Parking Charges				
0964413		\$ 11,818	\$ -	\$ 11,818
0959029		2,039	-	2,039
1064819		233	-	233
<b>Finding 3 Total</b>		<b>\$ 14,090</b>	<b>\$ -</b>	<b>\$ 14,090</b>

Finding 4 – Unreasonable Travel and Supplies Expenditures				
██████████		██████████	██████████	\$ 6,107
0813930		██████████	██████████	2,755
<b>Finding 4 Total</b>		<b>\$ ██████████</b>	<b>██████████</b>	<b>\$ 8,862</b>

Finding 5 – Expenditures Near Award Expiration				
0813930		\$ ██████████	██████████	\$ 2,455
0962191		██████████	██████████	1,055
<b>Finding 5 Total</b>		<b>\$ ██████████</b>	<b>██████████</b>	<b>\$ 3,510</b>

**QUESTIONED COST SENIOR SALARY SUMMARY BY INSTANCE**

<b>Item Number</b>	<b>Salary Questioned</b>	<b>Fringe Benefit Questioned</b>	<b>Overhead Questioned</b>	<b>Total Questioned</b>	<b>Unallowable Months</b>
Finding 1 – Exceeded NSF Limits on Senior Salary					
1	\$ [REDACTED]	[REDACTED]	[REDACTED]	\$ 120,481	7.72
2	[REDACTED]	[REDACTED]	[REDACTED]	66,068	6.11
3	[REDACTED]	[REDACTED]	[REDACTED]	57,724	5.33
4	[REDACTED]	[REDACTED]	[REDACTED]	54,137	3.12
5	[REDACTED]	[REDACTED]	[REDACTED]	27,001	2.45
6	[REDACTED]	[REDACTED]	[REDACTED]	33,511	2.01
7	[REDACTED]	[REDACTED]	[REDACTED]	19,695	1.90
8	[REDACTED]	[REDACTED]	[REDACTED]	24,645	1.88
9	[REDACTED]	[REDACTED]	[REDACTED]	26,667	1.57
10	[REDACTED]	[REDACTED]	[REDACTED]	7,873	0.46
11	[REDACTED]	[REDACTED]	[REDACTED]	4,498	0.43
12	[REDACTED]	[REDACTED]	[REDACTED]	2,666	0.26
<b>Total</b>	<b>\$ [REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>\$ 444,966</b>	