

# Performance Audit of Incurred Costs – University of Wyoming

REPORT PREPARED BY GRANT THORNTON LLP

NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL

December 21, 2018  
OIG 19-1-002





## AT A GLANCE

Performance Audit of Incurred Costs – University of Wyoming

Report No. OIG 19-1-002

December 21, 2018

### AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Grant Thornton LLP (GT) to conduct a performance audit of incurred costs at the University of Wyoming (Wyoming) for the period October 1, 2011, to September 30, 2014. The auditors tested more than \$2.3 million of the \$36.8 million of costs claimed to NSF. The objective of the audit was to determine if costs claimed by Wyoming on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements.

### AUDIT RESULTS

Wyoming did not always comply with all Federal, NSF, and Wyoming regulations and policies when allocating expenses to NSF awards. The auditors questioned \$441,683 of costs claimed by Wyoming during the audit period. Specifically, the auditors found \$44,330 in unallowable payroll and non-payroll costs incurred due to lack of supporting documentation, \$15,581 in unallowable relocation costs, and \$381,772 of inadequate support for transfer of transactions between awards within and outside of period of performance. In addition, the auditors found personnel activity reports and timesheets were not properly approved, personnel activity reports were submitted more than 60 days after period of performance, and purchase card transaction limits of \$1,500 were exceeded without proper approval. GT is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in GT's audit report.

### RECOMMENDATIONS

The auditors included six findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure Wyoming strengthens administrative and management controls.

### AUDITEE RESPONSE

Wyoming agreed with the majority of the findings in the report and agreed to repay \$206,279, but disagreed with a portion of the questioned costs related to cost transfers. Wyoming's response is attached in its entirety to the report as Attachment IV.

### CONTACT US

For further information, contact us at 703.292.7100 or [oig@nsf.gov](mailto:oig@nsf.gov).



**MEMORANDUM**

**DATE:** December 21, 2018

**TO:** Dale Bell  
Director  
Division of Institution and Award Support

Jamie French  
Director  
Division of Grants and Agreements

**FROM:** Mark Bell [REDACTED]  
Assistant Inspector General  
Office of Audits

**SUBJECT:** Audit Report No. 19-1-002, University of Wyoming

This memo transmits the Grant Thornton LLP (GT) report for the audit of costs charged by the University of Wyoming (Wyoming) to its sponsored agreements with the National Science Foundation during the period October 1, 2011, to September 30, 2014. The audit encompassed more than \$2.3 million of the \$36.8 million claimed to NSF during the period. The objective of the audit was to determine if costs claimed by Wyoming on NSF awards were allowable, allocable, reasonable, and in compliance with NSF award terms and conditions and Federal financial assistance requirements.

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

**OIG Oversight of Audit**

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

- reviewed GT's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;



# NATIONAL SCIENCE FOUNDATION OFFICE OF INSPECTOR GENERAL

- coordinated periodic meetings with GT, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by GT; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Ken Lish at 703.292.7100 or [oig@nsf.gov](mailto:oig@nsf.gov).

## Attachment

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# UNIVERSITY OF WYOMING

Audit of Incurred Cost for National Science Foundation Awards for  
Period from October 1, 2011, to September 30, 2014

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**PERFORMANCE AUDIT REPORT OF INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANTS FOR THE COMPLETION OF THE COST INCURRED AUDIT  
OF THE UNIVERSITY OF WYOMING**

National Science Foundation  
Office of Inspector General, Office of Audits  
2415 Eisenhower Avenue  
Alexandria, VA 22314

We have audited the University of Wyoming's (UW, or the University) compliance with the financial and administrative terms and conditions of the grant award agreements. The applicable rules are set forth in Office of Management and Budget (OMB) Circulars A-110 and A-21 as well as in the National Science Foundation (NSF) Proposal and Award Policies and Procedures Guide (PAPPG, collectively, the Rules). Compliance with the Rules is the responsibility of UW. Management is responsible for compliance with those requirements. Grant Thornton's responsibility is to make a determination regarding UW's compliance with the Rules based on the audit.

Except as discussed in the Objective, Scope, and Methodology below, we conducted this performance audit for the period of October 1, 2011, to September 30, 2014 in accordance with standards applicable to performance audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The audit included examining, on a test basis, evidence supporting whether the costs charged to NSF were actually incurred, reasonable, allowable, & allocable to NSF grants and correct in amount, as well as performing such other procedures as we considered necessary to make a determination regarding the University's compliance with the Rules. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit does not provide a legal determination on UW's compliance with specified requirements. A performance audit also includes consideration of internal controls over compliance requirements as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of University's internal control over compliance. Accordingly, we express no such opinion related to the University's internal controls.

## **Objective, scope, and methodology**

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The objective of the audit was to determine whether the costs charged to NSF were actually incurred, allocable, allowable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal financial assistance requirements (e.g. OMB Circulars).

At the National Science Foundation Office of Inspector General's (NSF OIG) request, the University provided detailed transaction data to the NSF OIG for all costs charged to NSF awards for the period October 1, 2011, through September 30, 2014. This provided an audit universe of approximately \$36.8 million, in more than 38,000 transactions. For transaction testing, OIG judgmentally selected 248 transactions totaling more than \$2.3 million and utilized a data analytics approach to identify potential risk areas. NSF OIG reviewed available accounting and administration policies and procedures, relevant documented management initiatives, previously issued external audit reports and desk review reports, and schedules and reconciliations prepared by the University and agreed them to supporting accounting records. After verifying that the population of data was appropriate, NSF OIG analyzed the data contained in the University's general ledger and supporting detailed ledgers to identify anomalies, outliers, and aberrant transactions. NSF OIG then judgmentally selected a sample of transactions to test based on criteria that included, but were not limited to, large dollar amounts, possible duplications, indications of unusual trends in spending, inconsistency with other transactions, even dollar amounts, descriptions indicating potentially unallowable costs, and frequency.

NSF OIG identified and provided to us a list of 248 transactions for testing. We sent this list to the University and requested documentation to support each transaction. We reviewed the supporting documentation provided by Wyoming and evaluated the allowability, allocability, and reasonableness of each transaction. When necessary, we requested additional supporting documentation, reviewed it, and obtained explanations and justifications from the Principal Investigators and other knowledgeable University personnel until we had sufficient support to assess the allowability, allocability, and reasonableness of each transaction. Our work required us to rely on the computer-processed data obtained from the University and NSF OIG. We assessed NSF's computer-processed data and found it to be sufficiently reliable for the purposes of this audit.

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided the summary of results to University personnel to inform them of each of our findings including circumstances where we did not have any documentation to support the questioned costs.

## **Background**

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The National Science Foundation is an independent Federal agency whose mission is "to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense." To support this mission, NSF funds research and education opportunities across all fields of science and engineering, primarily through grants and cooperative agreements awarded to more than 2,000 colleges, universities, and other institutions throughout the United States.

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

NSF provides funds to UW for research programs conducted on campus. The University consists of seven colleges: agriculture and natural resources, arts and sciences, business, education, engineering and applied sciences, health sciences, and law. The university offers more than 190 undergraduate, graduate, and certificate programs.

NSF OIG contracted Grant Thornton LLP to perform a performance audit over the NSF grant funds expended during the period of October 1, 2011 through September 30, 2014.

## **Results**

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Our audit procedures disclosed a total of \$441,719 of questioned costs due to noncompliance with the grant agreement, cost principles, and/or NSF policies and procedures. We identified the following types of noncompliance during the audit:

- Unallowable costs incurred due to lack of supporting documentation;
- Unallowable relocation costs incurred; and
- Inadequate support for transfer of transactions from one award to another within and outside of period of performance.

In addition to the compliance findings noted above, we also noted the specific internal control deficiencies below:

- Personnel Activity Reports (PAR)/timesheets not properly approved;
- PAR document submitted more than 60 days after period of performance; and
- Purchase card (P-card) transaction limit of \$1,500 exceeded without proper approval.

Detailed information relative to these matters are described in Attachments I and II. Attachment I presents findings that resulted in both internal control deficiencies and material noncompliance with the financial and administrative terms and conditions of the grant award agreements. Attachment II presents findings that resulted in internal control deficiencies with the financial and administrative terms and conditions of the grant award agreements.

## **Conclusions and recommendations**

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Based on the test work performed, our audit disclosed that UW failed to comply with the Rules as set forth in the grant agreement, OMB cost principles, and/or the PAPPG. The classification of the audit findings is presented in Table 1:

**Table 1. Summary of Findings**

Finding #	Description	Classification
001	Unallowable costs incurred due to lack of supporting Documentation	Significant Noncompliance
002	Unallowable Relocation and Payroll Costs	Significant Noncompliance
003	Reasonableness for transfer of transactions from one award to another within and outside of period of Performance	Significant Noncompliance
004	PAR/timesheet was not signed off as appropriately Approved	Significant Deficiency
005	Late submissions of PAR	Significant Deficiency
006	The P-card maximum limit of \$1,500 was exceeded without proper documented approval	Significant Deficiency

*Source:* Auditors Summary of Findings

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

UW's responses to our findings, which are described in Attachment I and II, were not subjected to the auditing procedures applied in the audit, and accordingly, we express no opinion on UW's responses.

GRANT THORNTON LLP

A handwritten signature in cursive script that reads "Grant Thornton LLP".

Alexandria, Virginia  
December 14, 2018

## Attachment I: Detailed Information Relative to Significant Noncompliance (Findings)

### Finding #: 001

#### Unallowable costs incurred due to lack of supporting documentation

2 CFR 220 App. A Section A.2.e. 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.” Further, 2 CFR § 215.21(b)(2) states that an awardee’s financial management system shall provide for the following, among other things: “Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.” For payroll specific costs, 2 CFR 220, App. A, section J.10.c. provides examples of acceptable methods for documenting the distribution of charges for personal services, including an After-the-fact Activity Records system, as well as other acceptable documentation methods. Lastly, per NSF PAPPG 11-1 Chapter II, Section F.1., “financial records, supporting documents, statistical records and other records pertinent to a grant will be retained by the grantee for a period of [at least] three years from the submission of the Final Project Report....”

During the course of our control testing of payroll transactions, we requested that management provide us with the supporting documentation for a sample of payroll costs incurred and charged to NSF-funded grants. However, the University did not provide a timesheet or other acceptable documentation supporting certain payroll costs incurred, and we were unable to determine through other means that the employees had incurred such time working on the applicable award. Thus, we were not able to validate the information from the University’s payroll system of record to source documentation. This results in a questioned cost of \$25,950, as shown in Table 2.

**Table 2. Summary of Unsupported Payroll Costs**

Paycheck #	Project ID	Direct Cost	Indirect Cost	Total
		\$4,596	\$1,976	\$6,572
		\$13,551	\$5,827	\$19,378
Total		\$18,147	\$7,803	\$25,950

*Source:* Transaction Detail Analysis – Grant Thornton (GT)

During the performance of our expenditure testing, we requested supporting documentation for a sample of non-payroll costs incurred. For the three non-payroll costs described below, management was able to provide documentation to support the expenditure; however, it could not provide documentation that the expenditures supported the NSF award. We were also unable to determine through other means that these costs should have been charged to the applicable NSF award. This results in a questioned cost of \$4,198, as shown in Table 3.

**Table 3. Summary of Unsupported Non-payroll Costs**

Vendor	Award #	Award Start Date	Direct Cost	Indirect Cost	Total
██████████	██████████	██████████/2010	\$2,936	\$1,262	\$4,198
Total			\$2,936	\$1,292	\$4,198

Source: Transaction Detail Analysis - GT

We were also unable to obtain acceptable supporting documentation for \$197 of payroll costs (and the associated \$85 in indirect costs) incurred demonstrating that the employee worked on NSF award ██████████ and that the expense is allocable to the grant. We were unable to determine through other means that the employees had incurred such time working on the applicable award.

Finally, we requested supporting documentation for ██████████ - invoice # ██████████, for \$9,720 that was charged to NSF award ██████████. Management did not provide the supporting documentation, and we were unable to determine through other means that this cost should have been charged to the applicable NSF award. Therefore, the \$9,720 (and the associated \$4,180 in indirect costs) is considered a questioned cost.

The failure to maintain appropriate supporting documentation for costs incurred (including payroll costs as provided for in 2 CFR 220, App. A, section J.10) results in unallowable costs per 2 CFR 220 App, A Section A.2.e.

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

1. Repay NSF the \$44,330 of questioned costs.
2. Ensure that all timesheets, PARs, or other acceptable documentation is available for all employee time charges to the grant and that this documentation be retained and available in accordance with applicable requirements.

#### Management's Response:

UW concurred with this finding and agrees to repay costs as stated above. UW concurred that it needs to strengthen its procedures to ensure that all timesheets and PARs are documented and properly retained. Effective January 1, 2019, UW is implementing a new Human Capital Management (HCM) system that will replace the paper timesheets, as well as a new effort reporting and compliance software package that will capture all effort reporting electronically and replace the paper system.

#### Auditors' Additional Comments:

Our position on this finding does not change.

#### Finding #: 002

##### Unallowable Relocation Costs

NSF PAPPG 11-1, AAG Chapter V, Section C.4 indicates that relocation costs may be charged to an NSF award in accordance with the applicable governing cost principles, provided that the proposal submitted to NSF specifically indicates that the grantee intends to hire a named individual to perform full-time work on the project, that such recruitment action is not disapproved by the grant terms, and that "the prospective employee or visiting staff member [is] essential to the project on a full-time basis for a continuous period of at least twelve months; and [is] regularly located at a place sufficiently removed from the project site that his/her employment necessitates the change."

During the performance of our expenditure testing, we identified nine payments to employees for relocation costs that were charged to the applicable NSF grant. We determined that these relocation payments were not included in the proposal submitted to NSF for approval and did not name specific individuals, resulting in a questioned cost of \$15,581, as shown in Table 4.

**Table 4. Summary of Unapproved Relocation Costs**

Award #	Direct Cost	Indirect Cost	Total
██████████	\$1,386	\$596	\$1,982
██████████	\$9,510	\$4,089	\$13,599
Total	\$10,896	\$4,685	\$15,581

Source: Transaction Detail Analysis - GT

These questioned costs were caused by University management failing to adhere to NSF rules relating to relocation costs and a lack of controls to ensure consistent application of NSF policies. The University is required to name a specific person in its grant proposal for whom relocation expenses would be incurred. Grant Thornton noted that the proposals reviewed did not name specific employees. The effect of these deficiencies is that unallowable payments were made and charged to the NSF grants.

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

1. Repay NSF the \$15,581 in questioned costs.
2. Ensure that all budget amendments necessary to reflect such relocation expenses reimbursement be approved prior to payment.
3. Ensure that grant proposals include specific named individuals for whom relocation costs will be incurred.

**Management’s Response:**

UW agrees to repay costs to NSF as stated above. The position was included in the application proposal that was approved by NSF, however as an employment search to find a qualified candidate had to be completed, it was not possible to have the individual named in the proposal. The costs incurred were reasonable and necessary to fill the position, however UW acknowledges the requirement to list the specific person in the proposal.

**Auditors’ Additional Comments:**

Our position on this finding does not change.

**Finding #: 003**

**Inadequate support for transfer of transactions from one award to another within and outside of period of performance**

**Criteria or Specified Requirement**

2 CFR § 215.21(b)(2). states that an awardee’s financial management system shall provide for the following, among other things: “Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest”. Further, as indicated by 2 CFR § 215.71(b), “[u]nless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period....”

During the performance of our expenditure testing, we selected a sample of costs which were originally charged to different awards and then subsequently transferred into the applicable NSF award during the period of the award. We requested documentation for the seven items shown in Table 5 that documented the rationale for the transfer and the allowability of the costs incurred under the award. The University did not provide such documentation, and we were unable to determine through other means whether the transferred costs were allowable under the award. Accordingly, this results in questioned costs of \$14,430.

**Table 5. Summary of Costs Transfers Lacking Documentation**

Description	Award #	Transaction date	Direct Cost	Indirect Cost	Total
Salary costs	██████	9/28/12	\$2,500	\$1,075	\$3,575
Salary costs	██████	9/30/13	\$1,792	\$771	\$2,563
Salary costs	██████	9/30/11	\$1,801	\$774	\$2,575
Salary costs	██████	6/29/12 & 1/31/12	\$2,498	\$1,074	\$3,572
Laboratory-Prof fees	██████	8/19/14	\$1,500	\$645	\$2,145
Total			\$10,091	\$4,339	\$14,430

Source: Transaction Detail Analysis - GT

We also selected a sample of transactions that represent costs that were originally charged to different awards and then transferred into the applicable NSF award subsequent to the period of the award. We identified nine transactions where the costs were transferred from one cost center of a different award to an NSF award outside the required 90-day close-out period. The University did not provide the appropriate documentation to validate the reasonableness of the transfer, and we were unable to determine through other means that such transferred costs represented allowable costs. Although the University provided support for the expenditures, it did not provide support that the expenditures related to the applicable NSF award. This results in questioned costs of \$318,572, as shown in Table 6.

**Table 6. Summary of Unsupported Transfer Costs**

Description	Award #	Transaction Date	Direct Cost	Indirect Cost	Total
Data Process Eq – Non-cap (laptop)	██████	10/24/13	\$1,689	\$726	\$2,415
Lab/Med/Research Eq	██████	10/31/13	\$50,000	\$21,500	\$71,500
Data Processing/Tech & Supplies (iPad Air)	██████	11/27/13	\$1,996	\$858	\$2,854
Data Process Eq – Non-cap (laptop)	██████	12/6/13	\$2,399	\$1,032	\$3,431
██████████, Inc	██████	5/11/14	\$1,765	\$759	\$2,524
Commercial Airline	██████	10/4/13	\$1,008	\$433	\$1,441
Sponsored Projects (Receipt correction –Receipt # ██████████)	██████	11/16/11	\$8,653	\$3,721	\$12,374
Sponsored projects	██████	3/9/12	\$152,340	\$65,506	\$217,846
Sponsored projects	██████	11/29/12	\$2,928	\$1,259	\$4,187
Total			\$222,778	\$95,794	\$318,572

Source: Transaction Detail Analysis - GT

Finally, we selected a sample of transactions incurred near the end of an award period to determine whether such costs represent costs that should have reasonably been incurred at the end of an award period. 2 CFR 220 App, A Section C.3 states that “A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made...” NSF PAPPG 11-1 Chapter II Section C.g. (vi) indicates: “Any costs proposed to an NSF grant must be allowable, reasonable and directly allocable to the supported activity.” We identified a lack of supporting documentation for 13 instances of time charges and also purchases charged at the end of the grant that did not appear to be a reasonable expenditure of funds near or at the end of an award period, which results in questioned costs of \$48,770, as shown in Table 7. Per NSF PAPPG 11-1 Chapter II, Section F.1., “[f]inancial records, supporting documents, statistical records and other records pertinent to a grant will be retained by the grantee for a period of [at least] three from submission of the Final Project Report...” The items identified had differences in what was included in PAR versus what was claimed against the project and UW did not provide supporting documentation for the variances.

**Table 7. Summary of Costs at/near Award End Date**

Description	Award #	Transaction date	Direct Cost	Indirect Cost	Total
Payroll costs		2/29/12	\$573	\$246	\$819
Payroll costs		1/31/13	\$1,792	\$771	\$2,563
Payroll costs		7/31/13	\$4,436	\$1,907	\$6,343
Payroll costs		3/29/13	\$3,119	\$1,341	\$4,460
Payroll costs		2/29/12	\$3,871	\$1,665	\$5,536
Payroll costs		6/29/12	\$1,929	\$829	\$2,758
Payroll costs		1/15/13	\$4,862	\$2,091	\$6,953
Payroll costs		8/30/13	\$1,198	\$515	\$1,713
Payroll costs		12/22/11 & 11/30/11	\$3,584	\$1,541	\$5,125
Payroll costs		5/31/12 & 3/30/12	\$3,584	\$1,541	\$5,125
Payroll costs		9/30/13	\$170	\$73	\$243
Lab/Med/Research Eq – Non-cap – Tequipment.net		9/24/13	\$1,651	\$694	\$2,345
Laboratory-Prof Fees		9/25/13	\$3,373	\$1,450	\$4,823
Total			\$34,142	\$14,664	\$48,806

Source: Transaction Detail Analysis - GT

The cause of this deficiency is that University management is not maintaining appropriate documentation to support that expense transfers were related to the NSF awards they were transferred to. The effect of the failure to adhere to its existing policies and procedures related to transfers is that undocumented and unapproved transfers of costs may be improperly incurred and charged to NSF grants.

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

1. Repay NSF the \$381,808 in questioned costs.
2. Implement a policy requiring that all cost transfers are performed within 90 days of the end of the award period, and that such documentation be maintained.

**Management's response:**

UW partially concurred with the finding. UW agreed to repay \$146,368 of the questioned costs. UW concurred that at the time the transactions were audited, there was not sufficient policies and procedures in place to provide additional information regarding cost transfers. Cost transfers were processed by Accounting and Payroll without any review of the Office of Sponsored Programs. This process was changed in 2014 and all costs transfers that impact grants and contracts are now reviewed and approved or rejected by the Office of Sponsored Programs for allowability and allocability prior to processing. That process was further strengthened subsequently by adding the requirement of a written explanation for the need of the cost transfer requiring the signature of the Principal Investigator (PI) accompanying each cost transfer request. In addition, in 2014, as part of its policies and procedures change, UW implemented a deadline of 90 days for the cost transfer to be submitted from the original date of the expenditure. Any deviation from the policy would require additional documentation and review.

However, UW did not agree to repay the \$234,407 of questioned costs in relation to the receipt corrections. The receipt corrections are in relation to situations when the grant has a positive cash position. This could be caused by cost transfers moving costs off the grant after a draw was completed. UW has used the NSF Cash Management FAQ recommendation: "Option 1: Make an adjustment in ACM\$. An adjustment can be entered via a payment transaction and offset against another award for which your institution required funds. Please remember, an ACM\$ transaction must be greater than or equal to \$0. When your institution has active and open awards, this is the preferred method." The transactions selected for review and reported as questioned costs are the internal journal entry to transfer the cash in UW's accounting system. The transfer was also done in the ACM\$ system. The document referred to above can be found at: [https://www.research.gov/common/attachment/Desktop/ACM\\$ FAQ FactSheet.pdf](https://www.research.gov/common/attachment/Desktop/ACM$%20FAQ%20FactSheet.pdf) .

**Auditors' Additional Comments:**

UW said it relied on the NSF Cash Management FAQ when it transferred these funds between awards and quoted from the FAQ in its response. However, the FAQ UW quoted was issued by NSF in 2018 and thus was not in force in 2011 through 2013, when the transactions highlighted in our report took place. Prior to the 2018 FAQ, NSF's direction was to return funds to NSF if a recipient found itself with a positive cash on hand balance. As a result, our position on this finding does not change.

**Attachment II: Detailed Information Relative to Significant Internal Control Deficiencies****Finding #: 004****PAR/timesheet was not signed off as appropriately approved**

The University of Wyoming's Payroll Policy indicates that only one signature is required for salaried employees on the monthly PAR for approval, which is sent to the Office of Sponsored Programs. For hourly employees, a biweekly timesheet is submitted and must be signed by both employee and supervisor. During the performance of our payroll testing, we identified that PARs and timesheets did not have the required signatures in accordance with the University policy. We were able to determine that such costs incurred were allowable under the grant award. However, we identified that the following employees submitted inappropriately approved PARS with no signatures:

- Employee paycheck # [REDACTED] charged 100% effort to account [REDACTED] of \$1,555
- Employee paycheck # [REDACTED] charged 95% effort to account [REDACTED] of \$2,375
- Employee paycheck # [REDACTED] charged 56% effort to account [REDACTED] of \$1,929
- Employee paycheck # [REDACTED] charged 100% effort to account [REDACTED] of \$2,941
- Employee paycheck # [REDACTED] charged 100% effort to account [REDACTED] of \$4,862
- Employee paycheck # [REDACTED] charged 100% effort to account [REDACTED] of \$1,560

Management did not have the appropriate controls in place as evidenced by not obtaining the appropriate approving signatures over its timesheets in accordance with existing policies and procedures. This increases the risk that unapproved costs may be incurred and charged to NSF grants.

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

1. Strengthen its existing policies and procedures to include trainings to ensure that all PARs are completed and submitted with at least one signature, and timesheets are signed by both employee and supervisor in a timely manner. In addition, the University should have a process that flags and tracks unsigned timesheets to ensure they are being signed by the appropriate person in a timely fashion.

**Management's Response:**

UW concurred with the deficiency as noted. Effective January 1, 2019, UW is implementing a new Human Capital Management (HCM) system that will replace the paper timesheets. UW is also implementing a new effort reporting and compliance software package that will capture all effort reporting electronically and replace the paper system.

**Auditors' Additional Comments**

Our position on this finding does not change.

**Finding #: 005****Late submissions of PARs**

The University of Wyoming's Payroll Policy indicates that monthly PARs should be submitted 30 days after the period of performance and allows an additional 30 days for payroll corrections. During the course of the test work, we identified late PAR submissions after the 60 days deadline as follows:

- Employee paycheck # [REDACTED] charged 100% effort to account [REDACTED] of \$2,334
- Employee paycheck # [REDACTED], [REDACTED] and [REDACTED] charged 100% effort to account [REDACTED] at a total of \$14,589

This deficiency was caused by University management not implementing the appropriate controls to ensure costs incurred were appropriately documented prior to being charged to NSF awards. The University was not adhering to its existing policies and procedures regarding timely documentation of payroll costs. The risk in this deficiency is that the University may incur unallowable payroll costs charged to NSF grants.

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

1. Strengthen its existing policies and procedures to include trainings to ensure that all PARs are completed and submitted with at least one signature, and timesheets are signed by both employee and supervisor in a timely manner. In addition, the University should have a process that flags and tracks unsigned timesheets to ensure they are being signed by the appropriate person in a timely fashion.

**Management's Response:**

UW concurred with the deficiency as noted. Effective January 1, 2019, UW is implementing a new Human Capital Management (HCM) system that will replace the paper timesheets, as well as a new effort reporting and compliance software package that will capture all effort reporting electronically and replace the paper system.

**Auditors' Additional Comments:**

Our position on this finding does not change.

**Finding #: 006****The purchase card maximum limit of \$1,500 was exceeded without proper documented approval**

The University of Wyoming Procurement Card Policies and Procedures indicates that there must be limits on purchase amounts to avoid misuse and to protect the cardholder. Therefore, the cardholder must track and total his or her own purchases in order to avoid exceeding the limits. The maximum limit per transaction was \$1,500 and \$5,000 monthly. On July 1, 2014, the limits were increased to \$2,500 and \$7,500 respectively. Other amounts can be authorized with department head and Program Administrator approval. During the performance of our P-card testing, we requested a sample of 16 items to test compliance with NSF policies, grant agreements, OMB Circular A-21, and the related internal controls.

We identified instances of purchase transactions over the policy's allowed limits with no documented approval. In addition, we discovered an expenditure charge that exceeded allowable limits, and the difference was moved to another NSF grant without prior approval. Specifically, we noted that the following transactions are over the allowed \$1,500 limit prior to July 1, 2014, with no prior approval documentations from the Procurement Manager, as UW did not provide supporting documentation of the prior approval:

- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 2,070
- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 1,532
- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 3,400
- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 1,765
- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 1,892
- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 1,989
- NSF Award # [REDACTED] purchase made from [REDACTED] of \$ 1,651

This deficiency was caused by University management not adhering to its established policies and procedures, which increases the risk that unallowable costs may be incurred and charged to NSF grants.

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

1. Enforce internal review and approval processes of P-card limits and obtain/maintain supporting documentation to support management's approval of increased thresholds. In addition, we recommend that individuals reviewing and approving the P-card transactions receive relevant training to ensure that appropriate support is being maintained and reviewed along with purchases.

**Management's Response:**

UW did not concur with the deficiency of a violation of processes in regard to \$1,500 threshold on P-cards. The only way a transaction is allowed to process on a P-card that exceeds the threshold is with the review, approval and physical override in the p-card provider bank site by an authorized Procurement department staff member. At the time of these expenditures the card provider bank had a comment section within their software package where these were documented. During this timeframe, the bank changed software programs and that documentation was lost. Now the Procurement department staff maintains individual internal logs that provides the documentation.

**Auditors' Additional Comments:**

Our position on this finding does not change.

## Attachment III: Schedule of Questioned Costs by Finding

**National Science Foundation  
Performance Audit of Costs Claimed on NSF Awards  
University of Wyoming**

**Schedule of Questioned Costs by Finding**

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Unallowable costs incurred due to lack of supporting documentation	\$0	\$44,330	\$44,330
2	Unallowable Relocation and Payroll Costs	0	15,581	15,581
3	Reasonableness for transfer of transactions from one award to another within and outside of period of performance	381,772	0	381,772
4	PAR/timesheet was not signed off as appropriately approved	0	0	0
5	Late submissions of PAR	0	0	0
6	The P-card maximum limit of \$1,500 was exceeded without proper documented approval	0	0	0
<b>Total</b>		<u>\$381,772</u>	<u>\$59,911</u>	<u>\$441,683</u>

## Attachment IV: University of Wyoming Responses

UNIVERSITY  
OF WYOMING

Vice President for Research & Economic Development  
1000 E. University Avenue, Department 3355 • Room 305/308, Old Main • Laramie, WY 82071  
(307) 766-5353 • (307) 766-5320 • fax (307) 766-2608 • [www.uwyo.edu/research](http://www.uwyo.edu/research)

December 14, 2018

Grant Thornton LLP  
333 John Carlye Street  
Alexandria, VA 22314-5745

Dear Sir or Madam:

The University of Wyoming (UW) has received and reviewed the audit report, "Performance Audit of Incurred Cost for National Science Foundation Awards for Period from October 1, 2011, to September 30, 2014, dated December 14, 2018, as drafted by Grant Thornton LLP on behalf of the National Science Foundation (NSF) Office of Inspector General. Comments on each audit finding are detailed below.

**Finding #: 001: Unallowable costs incurred due to lack of supporting documentation**

University of Wyoming (UW) concurred with this finding and agrees to repay costs as stated above. UW concurred that it needs to strengthen its procedures to ensure that all timesheets and Personnel Activity Reports (PAR)s are documented and properly retained. Effective January 1, 2019, UW is implementing a new Human Capital Management (HCM) system that will replace the paper timesheets and also implementing a new effort reporting and compliance software package that will capture all effort reporting electronically and replace the paper system.

**Finding #: 002: Unallowable Relocation Costs**

UW agrees to repay costs to NSF as stated above. The position was included in the application proposal that was approved by NSF, however as an employment search to find a qualified candidate had to be completed, it was not possible to have the individual named in the proposal. The costs incurred were reasonable and necessary to fill the position, however UW acknowledges the requirement to list the specific person in the proposal.

**Finding #: 003: Inadequate support for transfer of transactions from one award to another within and outside of period of performance**

UW partially concurred with the finding. We agree to repay \$146,368 of the questioned costs. UW concurred that at the time of the transactions audited that there was not sufficient policies and procedures in place to provide additional information regarding cost transfers. Cost transfers were processed by Accounting and Payroll without any review of the Office of Sponsored Programs. This process was changed in 2014 and all costs transfers that impact grants and contracts are now reviewed and approved or rejected by the Office of Sponsored Programs for allowability and allocability prior to processing. That process was even further strengthened subsequently by adding the requirement of a written explanation for the need of the cost transfer requiring the signature of the Principal

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Investigator (PI) accompanying each cost transfer request. In addition in 2014, as part of our policies and procedures change, we implemented a deadline of 90 days for the cost transfer to be submitted from the original date of the expenditure. Any deviation from the policy would require additional documentation and review.

However, UW did not agree to repay the \$234,407 of questioned costs in relation to the receipt corrections. The receipt corrections are in relation to situations when the grant has a positive cash position. This could be caused by cost transfers moving costs off the grant after a draw was completed. UW has used the NSF Cash Management FAQ recommendation *Option 1: Make an adjustment in ACM\$*. *An adjustment can be entered via a payment transaction and offset against another award for which your institution required funds. Please remember, an ACM\$ transaction must be greater than or equal to \$0. When your institution has active and open awards, this is the preferred method.* The transactions selected for review and reported as questioned costs is the internal journal entry to transfer the cash in UW's accounting system. The transfer was also done in the ACM\$ system. The document referred to above can be found at: [https://www.research.gov/common/attachment/Desktop/ACM\\$FAQFactSheet.pdf](https://www.research.gov/common/attachment/Desktop/ACM$FAQFactSheet.pdf).

**Finding #: 004: PAR/timesheet was not signed off as appropriately approved**

UW concurred with the deficiency as noted. Effective January 1, 2019, UW is implementing a new Human Capital Management (HCM) system that will replace the paper timesheets and also implementing a new effort reporting and compliance software package that will capture all effort reporting electronically and replace the paper system.

**Finding #: 005: Late submissions of PARs**

UW concurred with the deficiency as noted. Effective January 1, 2019, UW is implementing a new Human Capital Management (HCM) system that will replace the paper timesheets and also implementing a new effort reporting and compliance software package that will capture all effort reporting electronically and replace the paper system.

**Finding #: 006: The purchase card maximum limit of \$1,500 was exceeded without proper documented approval**

UW did not concur with the deficiency of a violation of processes in regard to \$1,500 threshold on P-cards. The only way a transaction is allowed to process on a P-card that exceeds the threshold is with the review, approval and physical override in the p-card provider bank site by an authorized Procurement department staff member. At the time of these expenditures the card provider bank had a comment section within their software package where these were documented. During this timeframe, the bank changed software programs and that documentation was lost. Now the Procurement department staff maintains individual internal logs that provides the documentation.

If you have any questions, or require further information regarding the above, please contact me directly (307) 766-3750 or by email at [REDACTED]@uwyo.edu.

Very truly yours,

UNIVERSITY OF WYOMING

  
Jonnie M. Jenkins, Manager – Office of Sponsored Programs

Cc: E. Snyakowski, Vice President, Research & Economic Development  
D. Hulme, Assoc. Vice President, Research  
N. Theobald, Vice President, Finance & Admin  
D. Jewell, Assoc. Vice President, Budget & Inst Plan  
R. Ravel, Senior Director Financial Administration & Compliance  
M. Miller, Manager, University Procurement Services



NATIONAL SCIENCE FOUNDATION  
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