

Performance Audit of Incurred Costs – Texas A&M University

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

December 17, 2020
OIG 21-1-002





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AT A GLANCE

Performance Audit of Incurred Costs – Texas A&M University

Report No. OIG 21-1-002

December 17, 2020

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company LLP (C&C) to conduct a performance audit of incurred costs at Texas A&M University (TAMU) for the period October 1, 2016, to September 30, 2019. The auditors tested approximately \$1.5 million of the more than \$63.6 million of costs claimed to NSF. The objective of the audit was to evaluate TAMU's award management environment to determine whether any further audit work was warranted, and to perform additional audit work, as determined appropriate. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix C.

AUDIT RESULTS

The report highlights concerns about TAMU's compliance with certain Federal and NSF regulations, NSF award terms and conditions, and TAMU policies. The auditors questioned \$137,558 of costs claimed by TAMU during the audit period. Specifically, the auditors found \$50,439 of unallowable expenses, \$50,409 of inadequately supported expenses, \$20,739 of inappropriately allocated expenses, \$15,312 of inappropriately applied indirect costs, and \$659 of funding inappropriately drawn down. The auditors also identified two compliance related findings for which there were no questioned costs; non-compliance with TAMU policies and incorrect application of indirect cost rates. C&C is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in C&C's audit report.

RECOMMENDATIONS

The auditors included 7 findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure TAMU strengthens administrative and management controls.

AUDITEE RESPONSE

TAMU expressed varying levels of agreement and disagreement with the findings throughout the report. TAMU's response is attached in its entirety to the report as Appendix B.

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



National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

MEMORANDUM

DATE: December 17, 2020

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements

FROM: Mark Bell *Mark Bell*
Assistant Inspector General
Office of Audits

SUBJECT: Audit Report No. 21-1-002, Texas A&M University

This memorandum transmits the Cotton & Company LLP (C&C) report for the audit of costs charged by Texas A&M University (TAMU) to its sponsored agreements with the National Science Foundation during the period October 1, 2016, to September 30, 2019. The audit encompassed approximately \$1.5 million of the more than \$63.6 million claimed to NSF during the period. The objective of the audit was to evaluate TAMU's award management environment to determine whether any further audit work was warranted, and to perform additional audit work, as determined appropriate. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix C.

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

OIG Oversight of the Audit

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

- reviewed C&C's approach and planning of the audit;

- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with C&C, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by C&C; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact Billy McCain at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

cc:

Anneila Sargent
John Veysey
Ann Bushmiller
Christina Sarris
Fleming Crim
Judy Chu

Joan Ahl
Teresa Grancorvitz
Pamela Hawkins
Alex Wynnyk
Rochelle Ray
Ellen Ochoa

Victor McCrary
Carrie Davison
Allison Lerner
Lisa Vonder Haar
Ken Chason
Dan Buchtel

Ken Lish
Billy McCain
Jennifer Kendrick
Louise Nelson
Karen Scott

TEXAS A&M UNIVERSITY

**PERFORMANCE AUDIT OF INCURRED COSTS FOR
NATIONAL SCIENCE FOUNDATION AWARDS FOR THE PERIOD
OCTOBER 1, 2016, THROUGH SEPTEMBER 30, 2019**

NATIONAL SCIENCE FOUNDATION

OFFICE OF INSPECTOR GENERAL

TABLE OF CONTENTS

I. BACKGROUND.....1

II. AUDIT RESULTS.....2

 FINDING 1: UNALLOWABLE EXPENSES2

 FINDING 2: INADEQUATELY SUPPORTED EXPENSES8

 FINDING 3: INAPPROPRIATELY ALLOCATED EXPENSES11

 FINDING 4: INAPPROPRIATELY APPLIED INDIRECT COSTS15

 FINDING 5: FUNDING INAPPROPRIATELY DRAWN DOWN IN ACM\$.....18

 FINDING 6: NON-COMPLIANCE WITH TAMU POLICIES20

 FINDING 7: INCORRECT APPLICATION OF BUDGETED INDIRECT COST RATES23

APPENDIX A: SCHEDULE OF QUESTIONED COSTS BY FINDING.....25

APPENDIX B: TEXAS A&M UNIVERSITY RESPONSE27

APPENDIX C: OBJECTIVES, SCOPE, AND METHODOLOGY.....33

APPENDIX D: TABLE 7 COMPLIANCE EXCEPTION DETAILS37

**NATIONAL SCIENCE FOUNDATION
PERFORMANCE AUDIT OF INCURRED COSTS
TEXAS A&M UNIVERSITY**

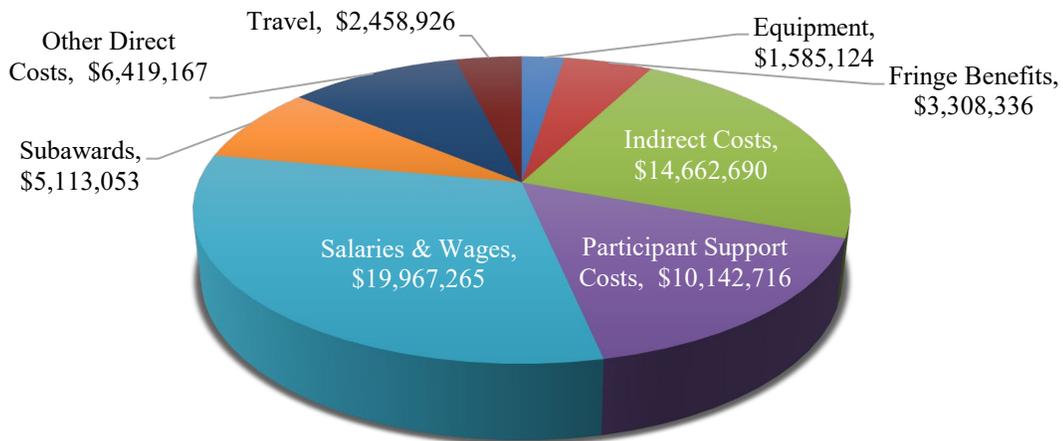
I. BACKGROUND

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. Through grant awards, cooperative agreements, and contracts, NSF enters into relationships with non-Federal organizations to fund research and education initiatives and to assist in supporting its internal financial, administrative, and programmatic operations.

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

NSF OIG engaged Cotton & Company LLP (referred to as “we”) to conduct a performance audit of costs incurred by Texas A&M University (TAMU). TAMU is a public research university that reported \$359 million in research grant expenditures from Federal sources in fiscal year 2019. As illustrated in Figure 1, TAMU’s general ledger (GL) supported more than \$63 million in expenses claimed on 413 NSF awards during our audit period of performance (POP) of October 1, 2016, to September 30, 2019. Figure 1 also shows costs claimed by budget category based on the accounting data that TAMU provided.

Figure 1. Costs Claimed by NSF Budget Category, October 1, 2016, through September 30, 2019¹



Source: Auditor analysis of accounting data provided by TAMU.

¹ The total award-related expenses reported in TAMU’s GL exceeded the \$63,597,056 reported in NSF’s Award Cash Management Service (ACMS); however, because the GL data materially reconciled to NSF’s ACMS records, we determined that the GL data was appropriate for the purposes of this engagement.

This performance audit, conducted under Order No. 140D0419F0470, was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report (Appendix C) and was conducted in accordance with *Generally Accepted Government Auditing Standards*, 2018 Revision, issued by the Comptroller General of the United States. We communicated the results of our audit and the related findings and recommendations to TAMU and NSF OIG. We included TAMU's response to this report in its entirety in Appendix B.

II. AUDIT RESULTS

We tested 130 transactions, which represented \$1,485,454² in costs that TAMU charged to NSF awards during the audit period, and performed additional non-transaction-based testing in four areas, as described in the Objectives, Scope, and Methodology section of this report. Based on the results of our testing, we determined that TAMU needs improved oversight of the allocation and documentation of expenses charged to NSF awards to ensure that it is able to support that costs claimed are reasonable, allocable, and allowable in accordance with all Federal and NSF regulations, NSF award terms and conditions, and TAMU policies.

As a result, we identified and questioned \$137,558 of direct and indirect costs that TAMU inappropriately claimed during the audit period, including:

- \$50,439 of unallowable expenses.
- \$50,409 of inadequately supported expenses.
- \$20,739 of inappropriately allocated expenses.
- \$15,312 of inappropriately applied indirect costs.
- \$659 of funding inappropriately drawn down.

We also identified two compliance-related findings for which we did not question any costs:

- Non-compliance with TAMU policies.
- Incorrect application of budgeted indirect cost rates.

We provide a breakdown of the questioned costs by finding in Appendix A of this report.

Finding 1: Unallowable Expenses

During the audit period, TAMU charged eight NSF awards a total of \$50,439 in expenses that were unallowable under Federal regulations,³ NSF Proposal and Award Policies and Procedures Guides (PAPPGs),⁴ and/or specific subaward terms and conditions. Specifically:

² The \$1,485,454 represents the total value of the 130 transactions selected for transaction-based testing; it does not represent the dollar value of the total costs reviewed during the audit.

³ According to 2 Code of Federal Regulations (CFR) 220, Appendix A, Sections C.2 and C.3 and 2 CFR §200.403(a), for costs to be allowable, they must be necessary and reasonable for the performance of the Federal award.

⁴ NSF PAPPGs 13-1, 15-1, and 16-1, Part II, Chapter V, Section A and 17-1 and 18-1, Part II, Chapter X, Section A state that grantees should ensure that all costs charged to NSF awards meet the requirements of the applicable Federal cost principles, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

Unallowable Service Expenses

TAMU charged two NSF awards for \$28,390 in unallowable service expenses, as follows:

- In February 2019, TAMU charged NSF Award No. [REDACTED] for \$15,055 in costs incurred for services that [REDACTED] University ([REDACTED] provided from May through December 2017 without first obtaining NSF's approval⁵ to incur costs more than 90 days before the award's effective date (i.e., January 1, 2018). Further, these expenses, which [REDACTED] did not invoice until more than one year after it incurred the costs, related to services that [REDACTED] performed under NSF Award No. [REDACTED]
- In August 2019, TAMU charged NSF Award No. [REDACTED] for \$13,335 in services that [REDACTED] University provided from July through August 2019, after TAMU's subaward with [REDACTED] University had expired.⁷

Unallowable Salary Expenses

TAMU charged one NSF award for \$12,001 in unallowable salary expenses,⁸ as follows:

- In January 2018, TAMU charged NSF Award No. [REDACTED] for \$12,001 in salary-related costs associated with a retroactive one-time salary payment for effort that the employee did not certify as being allocable to this award.
 - TAMU agreed to reimburse NSF for these expenses.

Unallowable Airfare Expenses

TAMU charged three NSF awards for \$5,667 in unallowable airfare expenses,⁹ as follows:

⁵ NSF PAPPG 18-1, Part II, Chapter X, Section A.2.b (3) states that awardees must use NSF's electronic systems to submit requests for pre-award costs for periods exceeding 90 days prior to award.

⁶ NSF originally awarded the research funded by NSF Award No. [REDACTED] to [REDACTED] under NSF Award No. [REDACTED]. The invoice and the sole-source justification form that TAMU provided for this transaction referenced the original NSF Award No. [REDACTED] rather than NSF Award No. [REDACTED].

⁷ The Fully Executed Subaward Agreement between TAMU and [REDACTED] University (Subaward Agreement), which expired in August 2018, states that by signing the Subaward Agreement, the subrecipient certifies that it will perform the work under the agreement in accordance with the terms of the agreement and the applicable terms of the prime award; federal, state, and local law; rules and regulations; and the subrecipient's policies.

⁸ NSF PAPPG 16-1, Part II, Chapter V, Section B.1.a states that compensation paid or accrued by the organization for employees working on an NSF-supported project during the grant period is allowable in accordance with 2 CFR §200.430. According to 2 CFR §200.430(a)(1)(2), costs of compensation are allowable to the extent that they are reasonable for the services rendered, conform to the established written policy of the non-Federal entity, are consistently applied to both Federal and non-Federal activities, and follow an appointment made in accordance with the non-Federal entity's written policies.

⁹ According to 2 CFR 220, Appendix A, Section J.53.a and 2 CFR §200.474(a), allowable travel costs include expenses incurred by employees who are in travel status on official business.

- In October 2016, TAMU charged NSF Award No. [REDACTED] for \$2,760 in airfare costs that the Principal Investigator (PI) incurred to purchase a return flight for a trip that combined grant-related and personal travel. The PI did not provide any documentation to support that the cost of the flight did not increase as a result of the personal travel. Although TAMU allows travelers to combine business and personal travel, because the return flight did not occur until 23 days after the grant-related purpose of the trip had ended, TAMU should have maintained documentation to support that the price of the return flight did not cause the total airfare expenses to exceed the expenses that TAMU would have incurred if the PI had returned immediately after completing the grant-related travel.
- In October 2017, TAMU charged NSF Award No. [REDACTED] for \$2,425 in airfare costs that the co-PI incurred to purchase a return flight for a trip that combined grant-related and personal travel. The co-PI did not provide any documentation to support that the cost of the flight did not increase as a result of the personal travel. Although TAMU allows travelers to combine business and personal travel, because the return flight did not occur until 17 days after the grant-related purpose of the trip had ended, TAMU should have maintained documentation to support that the price of the return flight did not cause the total airfare expenses to exceed the expenses that TAMU would have incurred if the co-PI had returned immediately after completing the grant-related travel.
- In February 2019, TAMU charged NSF Award No. [REDACTED] for \$482 in airfare costs incurred to enable a graduate student to attend a grant-related conference that the student did not actually attend.
 - TAMU agreed to reimburse NSF for these expenses.

Unallowable Publication Costs

TAMU charged two NSF awards a total of \$4,381 in unallowable publication expenses,¹⁰ as follows:

- In February 2019, TAMU charged NSF Award No. [REDACTED] for \$7,722 in fees incurred to publish an article that did not acknowledge NSF Award No. [REDACTED] as a sponsor.
 - Because the publication referenced NSF Award No. [REDACTED] the original award number for the sponsored project before it was transferred to TAMU, we are not questioning any costs associated with this exception.
- In September 2019, TAMU charged NSF Award No. [REDACTED] for \$4,381 in fees incurred to publish an article that did not acknowledge NSF Award No. [REDACTED] as a sponsor.

¹⁰ Per 2 CFR §200.461(b)(1), charges for professional journal publications are allowable where the publications report that the work was supported by the Federal government. Further, NSF PAPPGs 17-1 and 18-1, Part II, Chapter XI, Section E.4.a. states that the grantee is responsible for ensuring that any publication of any material based on or developed under an NSF-funded project includes acknowledgement of NSF support.

- TAMU agreed to reimburse NSF for these expenses.

TAMU did not have sufficient policies/procedures and internal controls in place to ensure that it only charged allowable expenses to NSF awards. Specifically, TAMU’s procedures did not always ensure that it:

- Performed all services charged to NSF awards within the POP or the allowable pre-award period of the prime award or subaward.
- Consistently and appropriately charged retroactive salary expenses consistent with employee-certified effort.
- Maintained comparative documentation to support that total travel costs did not increase as a result of travelers combining business and personal travel.
- Reimbursed NSF for expenses that did not benefit the NSF awards charged.
- Appropriately acknowledged NSF awards in publications.

TAMU charged NSF awards for expenses that were unallowable under Federal, NSF, and/or specific subaward terms and conditions. We are therefore questioning \$50,439 of unallowable expenses charged to eight NSF awards. TAMU concurred with \$16,864 of the questioned costs but disagreed with the remaining \$33,575, as illustrated in Table 1.

Table 1. Unallowable Expenses

Description	NSF Award No.	Fiscal Year	Questioned Costs			TAMU Agreed to Reimburse
			Direct	Indirect	Total	
February 2019 Service		2019	\$10,138	\$4,917	\$15,055	\$0
August 2019 Service		2019	8,980	4,355	13,335	0
January 2018 Retroactive Salary Payment		2018	8,248	3,753	12,001	12,001
October 2016 Airfare		2017	1,897	863	2,760	0
October 2017 Airfare		2018	1,667	758	2,425	0
February 2019 Airfare		2019	482	0	482	482
February 2019 Publication		2019	0	0	0	0
September 2019 Publication		2020	2,950	1,431	4,381	4,381
Total			<u>\$34,362</u>	<u>\$16,077</u>	<u>\$50,439</u>	<u>\$16,864</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Resolve the \$33,575 in questioned service and airfare expenses for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$16,864 in questioned salary, airfare, and publication costs for which it has agreed to reimburse NSF.
3. Direct TAMU to strengthen its policies and procedures related to creating and retaining documentation, including introducing additional internal controls to help ensure that TAMU appropriately creates and maintains all documentation necessary to support the allowability of expenses charged to sponsored programs.
4. Direct TAMU to verify that services provided under service and subaward agreements occurred during the agreement's period of performance prior to reimbursing costs.
5. Direct TAMU to strengthen its administrative and management procedures and internal controls surrounding retroactive salary payments charged to sponsored projects.
6. Direct TAMU to strengthen its administrative and management procedures and internal controls surrounding the purchase of airfare and the approval of travel expense reports. Updated procedures could include:
 - a. Conducting annual training for those individuals responsible for reviewing and approving expense reports within each department.
 - b. Establishing clear guidance regarding the allowability of no-show expenses that do not benefit the project(s) charged.
 - c. Establishing clear guidance regarding how employees that are combining business and personal travel should document that the combined travel did not cause the total airfare expenses to exceed the expenses that TAMU would have incurred if the employee had only performed business-related travel.
7. Direct TAMU to establish clear guidance regarding the allowability of publication expenses, including the need to acknowledge NSF funding sources.

Texas A&M University Response: TAMU disagreed with our conclusions regarding the allowability of \$33,575 in costs questioned on four NSF awards. Specifically:

- With regard to the \$15,055 in questioned service costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because the grant's budget included funding to support the services; because [REDACTED] provided the same services under the original NSF award for this project, NSF Award No. [REDACTED] and because the award notification that TAMU received for NSF Award No. [REDACTED] when it transferred from [REDACTED] to TAMU listed these services as "unpaid obligations."

- With regard to the \$13,335 in questioned service costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because it used its regular procurement methodology to obtain and pay for the services and therefore did not need to amend the expired subaward agreement or execute a new subaward agreement.
- With regard to the \$2,760 and \$2,425 in questioned travel costs charged to NSF Award Nos. [REDACTED] and [REDACTED] respectively, TAMU agrees that the travelers could have retained documentation for cost differences that may have resulted from the personal travel. However, TAMU believes that a portion of the costs should be allowable because the actual costs may have been higher or lower than the costs charged to the awards.

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

- With regard to the \$15,055 in questioned service costs charged to NSF Award No. [REDACTED] because [REDACTED] performed these services under NSF Award No. [REDACTED] before NSF Award No. [REDACTED] became effective, and because [REDACTED] maintained \$34,662 in funding to cover the costs incurred under NSF Award No. [REDACTED] our position regarding this exception has not changed. Specifically, TAMU noted that the costs related to NSF Award No. [REDACTED] should be allowable because the award notice for NSF Award No. [REDACTED] identified \$34,662 in “unpaid obligations” related to NSF Award No. [REDACTED]. However, because [REDACTED] did not transfer this \$34,662 to TAMU, but instead retained the funding to cover expenses related to NSF Award No. [REDACTED],¹¹ [REDACTED] should have charged these costs to NSF Award No. [REDACTED].
- With regard to the \$13,335 in questioned service costs charged to NSF Award No. [REDACTED] because TAMU originally procured these services under a subaward agreement with [REDACTED] University, which had programmatic influence on the NSF award, TAMU should not have paid the invoice outside of an active subaward agreement. Accordingly, our position regarding this exception has not changed.
- With regard to the \$2,760 and \$2,425 in questioned travel costs charged to NSF Award Nos. [REDACTED] and [REDACTED] respectively, because TAMU did not maintain documentation to support the cost of the grant-related travel, we are unable to determine the allowable portion of the airfare. Accordingly, our position regarding these exceptions has not changed.

¹¹ Although \$379,143 in funding remained on NSF Award No. [REDACTED] at the time [REDACTED] transferred the award to TAMU, because [REDACTED] estimated that it had \$34,662 in unpaid obligations related to the award, TAMU only received \$344,481 in funding for NSF Award No. [REDACTED].

Finding 2: Inadequately Supported Expenses

TAMU did not provide adequate documentation to support the allocability, allowability, and reasonableness of \$50,409 in expenses charged to three NSF awards, as required under Federal regulations¹² and NSF PAPPGs.¹³ Specifically:

Inadequately Supported Service Expense

TAMU did not provide adequate documentation to support the allowability of \$46,415 in service costs charged to one NSF award, as follows:

- In March 2017, TAMU charged NSF Award No. [REDACTED] for \$46,415 in fees for services provided by the Texas A&M Foundation. Although the services appear to have been related to the scope of the award, the Texas A&M Foundation did not provide adequate documentation to support the rates or quantities it used to bill TAMU.¹⁴

Inadequately Supported Airfare Expenses

TAMU did not provide adequate documentation to support the allowability of \$2,803 in airfare costs¹⁵ charged to one NSF award, as follows:

- In January 2018, TAMU charged NSF Award No. [REDACTED] for \$2,303 in airfare expenses incurred to enable four graduate students to attend a grant-related conference. However, TAMU did not provide documentation to support that it purchased economy-class tickets for this travel.
- In February 2019, TAMU charged NSF Award No. [REDACTED] for \$500 in airfare expenses incurred to enable a graduate student to attend a grant-related conference. However, TAMU did not provide documentation to support that it purchased economy-class tickets for this travel.

Inadequately Supported Salary Expenses

¹² According to 2 CFR 220, Appendix A, Section C.4.a. and 2 CFR §200.405, a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received or another equitable relationship.

¹³ NSF PAPPGs 13-1 and 15-1, Part II, Chapter V, Section A state that grantees should ensure that costs claimed under NSF grants are necessary, reasonable, allocable, and allowable under the applicable cost principles, NSF policy, and/or the program solicitation.

¹⁴ The Texas A&M Foundation invoiced TAMU for expenses related to printing, inserting, and mail processing for letters, envelopes, and reply cards; postage; and programming of custom online giving forms.

¹⁵ According to 2 CFR 220, Appendix A, Section J.53.c.(1), standard commercial airfare (coach or equivalent) costs are allowable and airfare costs in excess of the standard commercial airfare are unallowable unless appropriately justified.

TAMU did not provide adequate documentation to support the allowability of \$1,191 in salary expenses related to additional pay¹⁶ charged to one NSF award, as follows:

- In October 2018, TAMU charged NSF Award No. [REDACTED] for \$1,191 in additional pay for services performed outside of a student’s regular job duties but did not provide adequate documentation to support the student’s hourly pay rate.
 - TAMU agreed to reimburse NSF for these expenses.

TAMU did not have appropriate policies/procedures and internal controls in place to ensure that it requested and maintained sufficient documentation to support the allowability of direct costs that it charged to Federal awards. We were therefore unable to verify that all of the sampled costs were reasonable for, allocable to, and allowable on the NSF awards charged. As a result, we are questioning \$50,409 charged to three NSF awards. TAMU concurred with \$1,191 of the questioned costs but disagreed with the remaining \$49,218, as illustrated in Table 2.

Table 2. Inadequately Supported Expenses

Description	NSF Award No.	Fiscal Year	Questioned Costs			TAMU Agreed to Reimburse
			Direct	Indirect	Total	
March 2017 Service	[REDACTED]	2017	\$31,791	\$14,624	\$46,415	\$0
January 2018 Airfare	[REDACTED]	2018	2,303	0	2,303	0
February 2019 Airfare	[REDACTED]	2019	500	0	500	0
October 2018 Additional Salary	[REDACTED]	2019	802	389	1,191	1,191
Total			<u>\$35,396</u>	<u>\$15,013</u>	<u>\$50,409</u>	<u>\$1,191</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Resolve the \$49,218 in questioned service and travel expenses for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$1,191 in questioned additional salary costs for which it has agreed to reimburse NSF.
3. Direct TAMU to strengthen its policies and procedures related to creating and retaining documentation, including introducing additional internal controls to help ensure that it

¹⁶ According to 2 CFR §200.430, costs of compensation are allowable to the extent that they are reasonable for the services rendered, conform to the established written policy of the non-Federal entity, are consistently applied to both Federal and non-Federal activities, and follow an appointment made in accordance with the non-Federal entity’s written policies.

appropriately creates and maintains all documentation necessary to support the allowability of expenses charged to sponsored programs. Updated procedures should ensure that TAMU identifies and establishes appropriate payment terms and conditions before procuring any goods or services.

4. Direct TAMU to strengthen its administrative and management procedures and internal controls surrounding the retention of documentation to support that personnel purchased airfare in compliance with Federal and NSF guidance. Updated procedures could include conducting annual training for those individuals within each department that are responsible for purchasing airfare.
5. Direct TAMU to strengthen its administrative and management processes and internal controls related to establishing and documenting compensation rates for individuals who perform additional work outside the scope of their regular duties. Updated processes could include performing an annual review of TAMU employees, both staff and students, to ensure that TAMU has documented an established rate of pay for each employee that charges salary expenses to sponsored projects.

Texas A&M University Response: TAMU disagreed with \$49,218 in costs questioned on two NSF awards. Specifically:

- With regard to the \$46,415 in questioned service costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because it included the services in the proposal budget and budget justification. Further, TAMU stated that the Texas A&M Foundation does not typically provide these services in the normal course of operations, which may have caused it to omit the rates and quantities on the invoice. However, TAMU asserted that the PI had carefully tracked and approved the expenses.
- With regard to the \$2,803 in questioned travel costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because the conference organizers certified that they only book economy-class airfare for conference participants.

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

- With regard to the \$46,415 in questioned service costs charged to NSF Award No. [REDACTED] because the documentation that TAMU provided did not support the rates or quantities that the Texas A&M Foundation charged, and because TAMU did not have an agreement in place to support the rate(s) or quantities that the Texas A&M Foundation should have invoiced, we are unable to verify that the amount charged to the award is appropriate. Accordingly, our position regarding this exception has not changed.
- With regard to the \$2,803 in questioned travel costs charged to NSF Award No. [REDACTED] because TAMU did not provide documentation to support that all participants traveled using economy-class airfare, we are unable to verify that the airfare costs are allowable. Accordingly, our position regarding these exceptions has not changed.

Finding 3: Inappropriately Allocated Expenses

TAMU did not always allocate expenses to NSF awards based on the relative benefits the awards received, as required by Federal¹⁷ regulations and NSF PAPPGs.¹⁸ As a result, TAMU inappropriately allocated a total of \$20,739 in expenses to six NSF awards. Specifically:

Inappropriately Allocated Purchases Near Grant Expiration

TAMU inappropriately charged three NSF awards for \$11,669 in expenses incurred to purchase materials near the awards' expiration dates, when TAMU had little to no time to use the purchases to benefit the awards,¹⁹ as follows:

- In July 2017, TAMU charged NSF Award No. [REDACTED] for \$6,193 in costs incurred to purchase a computer monitor and peripheral devices. TAMU stated that 100 percent of the cost for these devices is allocable to this award because the devices were necessary to enable the PI to perform grant-related data analysis. However, because the PI purchased the devices in the last 2 months of the grant's 5-year POP, these costs do not appear to have been reasonably allocated based on the relative benefits the award received.
- In July 2018, TAMU charged NSF Award No. [REDACTED] for \$3,979 in costs incurred to purchase two computer graphics processing units (GPUs). TAMU stated that 100 percent of these costs are allocable to this award because the GPUs were necessary to enable the PI to perform the computations required to achieve the objectives of this award. However, because the PI purchased the GPUs in the last 4 months of the grant's 2-year POP, and the GPUs were not located at TAMU for the majority of their useful life,²⁰ these costs do not appear to have been reasonably allocated based on the relative benefits received by this award.
- In July 2019, TAMU charged NSF Award No. [REDACTED] for \$1,601 in costs incurred to purchase a [REDACTED] software license. TAMU stated that it used the software to perform grant-related research. However, because TAMU purchased the 621-day software license

¹⁷ According to 2 CFR Part 220, Appendix A, Section C.4.a. and 2 CFR §200.405(a), organizations should allocate costs to a particular cost objective in accordance with the relative benefits received.

¹⁸ NSF PAPPGs 13-1, 15-1, and 16-1, Part II, Chapter V, Section A, and 17-1 and 18-1, Part II, Chapter X, Section A state that grantees should ensure that all costs charged to NSF awards meet the requirements of the applicable Federal cost principles, grant terms and conditions, and any other specific requirements of both the award notice and the applicable program solicitation.

¹⁹ In addition to these costs appearing to be inappropriately allocated to the awards charged based on the relative benefits received, NSF PAPPGs 13-1 and 15-1, Part II, Chapter V, Section A.2.c. explicitly state that a grantee should not purchase equipment after the award's expiration date, or in anticipation of grant expiration where there is little or no time left to use such items in the actual conduct of the research. Further, 17-1, Part II, Chapter X, Section A.2.c. explicitly states that a grantee should not purchase equipment/computing devices or restock materials and supplies after the award's expiration date, or in anticipation of grant expiration where there is little or no time left to use such items in the actual conduct of the research.

²⁰ TAMU transferred these GPUs to a new institution one day after NSF Award No. [REDACTED] expired, when the PI took a position at a different university.

only 40 days prior to the award's expiration date, 93.5 percent of the license cost, or \$1,497,²¹ does not appear to have been reasonably allocated to this award.

Inappropriately Allocated Materials and Supplies

TAMU inappropriately charged one NSF award for \$4,088 in materials and supplies costs, as follows:

- In February 2019, TAMU charged NSF Award No. [REDACTED] for \$4,088 in costs incurred to purchase a computer for administrative personnel. Although the award budget included funding to purchase a computer, because TAMU used the computer for administrative purposes, it does not appear to have been reasonable for TAMU to allocate 100 percent of this expense to this award.

Inappropriately Allocated Publication Costs

TAMU inappropriately charged one NSF award for \$3,123 in publication costs,²² as follows:

- In June 2019, TAMU charged NSF Award No. [REDACTED] for \$6,246 in fees incurred to publish a manuscript in an [REDACTED] publication. Although the publication does appear to relate to the scope of this award, because the article stated that the authors performed the research under two awards, 50 percent of the publication expense, or \$3,123, does not appear to be allocable to this award.
 - TAMU agreed to reimburse NSF for these expenses.

Inappropriately Allocated One-Time Salary Payments

TAMU inappropriately charged one NSF award for \$1,859 in one-time salary payments,²³ as follows:

- In August 2018, TAMU charged NSF Award No. [REDACTED] for \$980 for a one-time stipend issued to an employee; however, based on the employee's effort during the period, \$762 of this stipend payment was not allocable to this award.²⁴

²¹ Because TAMU purchased the 621-day software license only 40 days prior to the award's expiration date, 581 days of the software license period, or 93.5 percent, were outside of the grant's POP.

²² Per 2 CFR §200.461(b)(1), charges for professional journal publications are allowable where the publications report that the work was supported by the Federal government.

²³ NSF PAPPG 17-1, Part II, Chapter X, Section B.1.a. states that compensation paid or accrued by the organization for employees working on an NSF-supported project during the grant period is allowable in accordance with 2 CFR §200.430. According to 2 CFR §200.430, costs of compensation are allowable to the extent that they are reasonable for the services rendered, conform to the established written policy of the non-Federal entity, are consistently applied to both Federal and non-Federal activities, and follow an appointment made in accordance with the non-Federal entity's written policies.

²⁴ Amount calculated as follows: \$2,612 (monthly stipend, including fringe and indirect costs) * 8.33 percent (August 2018 effort on this NSF award) = \$218 (allocable stipend, fringe, and indirect costs); \$980 (stipend, fringe, and indirect costs charged) - \$218 (allocable stipend, fringe, and indirect costs) = \$762

- TAMU agreed to reimburse NSF for these expenses.
- In August 2018, TAMU charged NSF Award No. [REDACTED] for \$1,173 for a stipend issued to an employee; however, based on the employee’s effort during the period, \$1,097 of this stipend payment was not allocable to this award.²⁵
 - TAMU agreed to reimburse NSF for these expenses.

TAMU did not have proper policies/procedures and internal controls in place to ensure that it consistently allocated costs based on the relative benefits that the sponsored awards received. We are therefore questioning \$20,739 of inappropriately allocated expenses charged to six NSF awards. TAMU concurred with \$4,982 of the questioned costs but disagreed with \$15,757, as illustrated in Table 3.

Table 3. Inappropriately Allocated Expenses

Description	NSF Award No.	Fiscal Year	Questioned Costs			TAMU Agreed to Reimburse
			Direct	Indirect	Total	
July 2017 Materials	[REDACTED]	2017	\$4,242	\$1,951	\$6,193	\$0
July 2018 Materials	[REDACTED]	2018	2,680	1,299	3,979	0
July 2019 Software	[REDACTED]	2019	1,029	468	1,497	0
February 2019 Materials	[REDACTED]	2019	2,753	1,335	4,088	0
June 2019 Publication	[REDACTED]	2019	2,103	1,020	3,123	3,123
August 2018 One-Time Salary	[REDACTED]	2018	513	249	762	762
August 2018 One-Time Salary	[REDACTED]	2018	739	358	1,097	1,097
Total			<u>\$14,059</u>	<u>\$6,680</u>	<u>\$20,739</u>	<u>\$4,982</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Resolve the \$15,757 in questioned unallocable materials and software costs for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$4,982 in questioned publication and one-time salary payments for which it has agreed to reimburse NSF.
3. Direct TAMU to strengthen its administrative and management procedures and internal controls for allocating expenses to sponsored projects. Processes could include:

²⁵ Amount calculated as follows: \$2,560 (monthly stipend, including fringe and indirect costs) * 2.98 percent (August 2018 effort on this NSF award) = \$76 (allocable stipend, fringe, and indirect costs); \$1,173 (stipend, fringe, and indirect costs charged) - \$76 (allocable stipend, fringe, and indirect costs) = \$1,097

- a. Implementing additional procedures requiring the Office of Sponsored Research Services to review and approve all non-salary expenses charged to NSF awards within 90 days of the award's expiration date.
- b. Requiring Principal Investigators or other designated staff to review and justify the allocation methodologies used to charge one-time salary payments, supplies for administrative personnel, and publications to sponsored projects.
- c. Requiring Principal Investigators or other designated staff to provide documented justifications when charging publication costs to Federal awards and requiring the Office of Sponsored Research to verify the charges were allocated in a manner consistent with the sponsors identified in the publication's funding source(s).
- d. Requiring the Office of Sponsored Research to verify that personnel appropriately allocated administrative costs such as salaries and supplies based on the relative benefits received.

Texas A&M University Response: TAMU disagreed with \$15,757 in costs questioned on four NSF awards. Specifically:

- With regard to the \$6,193 in questioned computer hardware costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because the PI used the monitor in conjunction with the computer used to perform research for this NSF award.
- With regard to the \$3,979 in questioned GPU costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because the PI received the GPUs during the award's POP and used the GPUs to assist with the computations needed to complete the final report.
- With regard to the \$1,497 in questioned software costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because it purchased the subscription for the minimum term offered, the software was necessary to complete the project, and it has only used the software to benefit NSF awards.
- With regard to the \$4,088 in questioned computer costs charged to NSF Award No. [REDACTED] TAMU believes the costs should be allowable because Request for Proposal Solicitation [REDACTED]-[REDACTED] allows the grantee to directly charge the project for expenses related to salaries and fringe benefits for administrative staff performing dedicated work on the project, and the laptop was necessary for the administrative staff to carry out their work on this project.

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

- With regard to the \$6,193 in questioned computer hardware costs charged to NSF Award No. [REDACTED] because the monitor was only available for 3 percent of the award’s POP, and because the monitor was general-purpose equipment that the PI likely used to benefit other projects for the majority of its useful life, our position regarding this exception has not changed.
- With regard to the \$3,979 in questioned GPU costs charged to NSF Award No. [REDACTED] because the GPUs were only available for 17 percent of the award’s POP, and because TAMU then transferred the GPUs to another institution for the majority of their useful life, our position regarding this exception has not changed.
- With regard to the \$1,497 in questioned software costs charged to NSF Award No. [REDACTED] because only 7 percent of the software license period fell within the award’s POP, because TAMU did not provide any support that 621 days was the minimum subscription period,²⁶ and because TAMU indicated it has used the software to benefit multiple NSF awards, our position regarding this exception has not changed.
- With regard to the \$4,088 in questioned computer costs charged to NSF Award No. [REDACTED] although Request for Proposal Solicitation [REDACTED]-[REDACTED] allows the grantee to directly charge the project for expenses related to salaries and fringe benefits for administrative staff, because TAMU did not request funding to support the purchase of a computer for administrative personnel and as the budget indicates that the program administrator would only spend 8.33% of her annual effort on this NSF award, our position regarding this exception has not changed.

Finding 4: Inappropriately Applied Indirect Costs

TAMU charged five NSF awards a total of \$15,312 in indirect costs it inappropriately applied to equipment, subaward, and tuition remission expenses that it should not have accounted for as Modified Total Direct Costs (MTDCs) per Federal regulations,²⁷ NSF policy,²⁸ or TAMU’s Negotiated Indirect Cost Rate Agreement (NICRA).²⁹ Specifically:

Indirect Costs Inappropriately Applied to Equipment Expenses

²⁶ TAMU purchased the software subscription from [REDACTED] and [REDACTED] [website](#) currently includes a one-year subscription plan.

²⁷ According to 2 CFR 200.68, MTDCs exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and any portion of a subaward that exceeds \$25,000.

²⁸ NSF PAPPs 17-1 and 18-1, Part I, Chapter II, Section C.2.g. (viii) state that grantees should calculate indirect costs (F&A) using the approved base(s).

²⁹ TAMU’s NICRAs dated September 15, 2014, and December 17, 2018, which were effective during the instances identified, noted that the MTDCs excluded equipment, capital expenditures, charges for patient care, rental costs of off-site facilities, tuition remission, scholarships and fellowships, and any portion of a subaward that exceeds \$25,000. Further, the 2018 NICRA specifically noted that PSCs were excluded from TAMU’s MTDC base.

TAMU charged three NSF awards for \$12,797 in unallowable expenses because it incorrectly applied indirect costs to equipment expenses,³⁰ as follows:

- In November 2017, TAMU charged NSF Award No. [REDACTED] for \$4,549 in indirect costs assessed on direct costs incurred to purchase parts installed on a piece of equipment. Although each individual part had a value of less than \$5,000, because TAMU purchased the components to install them in a piece of equipment that had a value exceeding \$5,000 and a useful life exceeding one year, TAMU should have accounted for the items as equipment.
 - TAMU agreed to reimburse NSF for these expenses.
- In April 2018, TAMU charged NSF Award No. [REDACTED] for \$6,298 in indirect costs assessed on direct costs incurred to purchase solar panels. Although the individual panels were each less than \$5,000, because TAMU purchased the components to install them into a piece of equipment that had a total value exceeding \$5,000 and a useful life exceeding one year, TAMU should have accounted for the item as equipment.
 - TAMU agreed to reimburse NSF for these expenses.
- In December 2018, TAMU charged NSF Award No. [REDACTED] for \$1,950 in indirect costs assessed on direct costs incurred to purchase a replacement antenna required to operate a liquid robotics wave glider. Because the antenna is a tangible piece of property that had a value exceeding \$5,000 and a useful life exceeding one year, TAMU should have accounted for the item as equipment.

Indirect Costs Inappropriately Applied to Subaward Expenses

TAMU charged one NSF award for \$1,781 in unallowable expenses because it incorrectly applied indirect costs to more than the first \$25,000 in subaward costs, as follows:

- From September 2017 through August 2018, TAMU charged NSF Award No. [REDACTED] for \$28,672 in direct costs invoiced by [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]. Although TAMU budgeted and billed these costs as consulting services, because it procured the services under a subaward agreement and because the statement of work supports that [REDACTED] had programmatic influence on the award, TAMU should have accounted for these costs as subaward expenses. . As such, TAMU inappropriately applied \$1,781 of indirect costs to the \$3,672 in subaward costs invoiced over the \$25,000 allowed per TAMU's NICRA.
 - TAMU agreed to reimburse NSF for these expenses.

Indirect Costs Inappropriately Applied to Tuition Remission Expenses

³⁰ According to 2 CFR §200.13, expenses to acquire capital assets and/or expenditures to make additions, improvements, or replacements that materially increase a capital asset's useful life are capital expenditures.

TAMU charged one NSF award for \$734 in unallowable expenses because it incorrectly applied indirect costs to tuition remission expenses, as follows:

- In March 2019, TAMU charged NSF Award No. [REDACTED] for \$734 in indirect costs that it erroneously assessed on tuition remission because it inadvertently charged the tuition remission costs to an account that applies indirect costs.
 - TAMU agreed to reimburse NSF for these expenses.

TAMU does not have sufficient policies/procedures and internal controls in place to ensure that it appropriately accumulates all equipment, subaward, and tuition remission expenses in account codes that do not apply indirect costs. Further, TAMU does not always appropriately capitalize equipment modifications that are necessary to enable the equipment to function. We are therefore questioning \$15,312 of inappropriately applied indirect costs. TAMU concurred with \$13,362 of the questioned costs but disagreed with the remaining \$1,950, as illustrated in Table 4.

Table 4. Inappropriately Applied Indirect Costs

Description	NSF Award No.	Fiscal Year	Questioned Costs			TAMU Agreed to Reimburse
			Direct	Indirect	Total	
November 2017 Indirects Applied to Equipment	[REDACTED]	2018	\$0	\$4,549	\$4,549	\$4,549
April 2018 Indirects Applied to Equipment	[REDACTED]	2018	0	6,298	6,298	6,298
December 2018 Indirects Applied to Equipment	[REDACTED]	2019	0	1,950	1,950	0
September 2017 Through August 2018 Indirects Applied to Subaward	[REDACTED]	2018	0	1,781	1,781	1,781
March 2019 Indirects Applied to Tuition Remission	[REDACTED]	2019	0	734	734	734
Total			<u>\$0</u>	<u>\$15,312</u>	<u>\$15,312</u>	<u>\$13,362</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Resolve the \$1,950 in questioned indirect costs for which TAMU has not agreed to reimburse NSF and direct TAMU to repay or otherwise remove the sustained questioned costs from its NSF award.
2. Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$13,362 of questioned indirect costs for which it has agreed to reimburse NSF.

3. Direct TAMU to strengthen its administrative and management processes and internal controls for applying indirect costs to Federal awards. Processes could include:
 - a. Requiring that personnel manually review material and supply purchases to evaluate whether TAMU should account for the items as equipment. Specifically, TAMU should consider whether the items purchased have a useful life that exceeds one year and a value that exceeds \$5,000, and/or if the items are necessary for the use of an asset that meets those criteria.
 - b. Requiring that personnel manually review purchases from consultants and vendors whose collective billings exceed \$25,000 each to ensure that the expenses should not be considered subaward costs and that TAMU does not inappropriately apply indirect costs to subaward expenses that exceed \$25,000.
 - c. Implementing an annual review process for costs charged to awards that include funding for tuition remission to ensure that TAMU is appropriately segregating tuition remission costs in accounts that it has excluded from its Modified Total Direct Cost base.

Texas A&M University Response: TAMU disagreed with our conclusion regarding the allowability of \$1,950 in questioned indirect costs charged to NSF Award No. [REDACTED]. Specifically, TAMU believes the indirect costs assessed on the replacement part should be allowable because the antenna did not extend the useful life of the equipment, but rather returned the asset to an operable state.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, although an ordinary replacement or repair expense would not be capitalized, because the questioned replacement antenna is a tangible piece of property with a cost greater than \$5,000 and a useful life exceeding one year, TAMU should have accounted for the antenna as equipment. Accordingly, our position regarding this exception has not changed.

Finding 5: Funding Inappropriately Drawn Down in ACM\$

TAMU inappropriately drew down \$659 from NSF's Award Cash Management Service (ACM\$).³¹ Specifically, during the audit period, TAMU drew down \$818,176 in funding on three NSF awards for which it had only recorded \$817,517 in expenses, as outlined in Table 5.a. below.

³¹ According to 2 CFR 215.22(b)(2) and 2 CFR §200.305(b)(1), *Payment*, advance payments must be limited to the minimum amount needed and must be timed to be in accordance with the actual, immediate cash requirements of the entity in carrying out the purpose of the approved program or project. Further, these policies state that payment methods must minimize the time that elapses between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity.

Table 5.a. ACM\$ Draw Discrepancies

NSF Award No.	ACM\$ Draw Amount	Total Expenses per TAMU's GL	Discrepancy
	\$479,697	\$479,038	\$659
	161,479	161,484	(5)
	<u>177,000</u>	<u>176,995</u>	<u>5</u>
Total	<u>\$818,176</u>	<u>\$817,517</u>	<u>\$659</u>

Source: Auditor summary of ACM\$ draw data provided by NSF OIG and GL data provided by TAMU.

TAMU did not have sufficient policies/procedures and internal controls in place to ensure that cash drawn down in ACM\$ always reconciled to the total expenses accumulated within its accounting system. We are therefore questioning \$659 in funding that TAMU claimed during the audit period but that was not supported by actual expenses. TAMU concurred with \$659 of the questioned costs, as illustrated in Table 5.b.

Table 5.b. Funding Inappropriately Drawn Down in ACM\$

Description	NSF Award No.	Questioned Costs	
		Total	TAMU Agreed to Reimburse
Unsupported ACM\$ Draws		\$659	\$659
		(5)	0
		<u>5</u>	<u>0</u>
Total		<u>\$659</u>	<u>\$659</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct TAMU to provide documentation supporting that it has repaid or otherwise credited the \$659 of questioned Award Cash Management Service drawdowns for which it has agreed to reimburse NSF.
2. Direct TAMU to strengthen the administrative and management internal controls and processes over its Award Cash Management Service reconciliation process. Processes could include requiring that an individual who is independent from the standard Award Cash Management Service drawdown process perform periodic reconciliations of Award Cash Management Service cash drawdowns to TAMU general ledger expenses for each active NSF award.

Texas A&M University Response: TAMU agreed with the questioned costs for this finding. Specifically, TAMU stated that it reimbursed NSF for the questioned costs on November 26,

2020, and that it has internal controls in place to provide reasonable assurance that drawdowns in ACM\$ reconcile to the total expenses accumulated.

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

Finding 6: Non-Compliance with TAMU Policies

TAMU did not always comply with, or did not always document compliance with, its internal travel, effort, and procurement policies and procedures when incurring costs charged to NSF awards. Because these instances of non-compliance did not directly result in TAMU charging unallowable costs to NSF awards, we are not questioning any costs for these exceptions.

Non-Compliance with TAMU's Travel Policies

We identified three instances in which TAMU did not comply with its internal travel policies, which require personnel to provide prior written notification for student travel³² and to support mileage reimbursements with documentation that substantiates the actual mileage incurred,³³ as follows:

- In September 2016, TAMU charged NSF Award No. [REDACTED] for \$4,000 in travel expenses related to student research in the U.S. Virgin Islands without first providing prior written notification for one of the students' travel.
- In November 2016, TAMU charged NSF Award No. [REDACTED] for \$2,527 in travel expenses incurred to enable a graduate student to attend a grant-related conference without first providing prior written notification for the student's travel.
- In August 2019, TAMU charged NSF Award No. [REDACTED] for \$140 in mileage reimbursement costs without providing documentation identifying the starting and ending addresses or evidence of actual miles driven.

Non-Compliance with TAMU's Effort Policy

We identified three instances in which TAMU did not comply with its internal effort-reporting policy,³⁴ which requires that personnel certify their effort within 45 days, as outlined in Table 6.a. below.

³² TAMU Student Travel Procedures 13.04.99.M1.01 states that personnel must provide written notification of student travel prior to departure and that this notification should include the name of the student traveling; the department, unit, or student organization; contact information; travel route; destination; itinerary; emergency contacts; and en-route contact information for all student travelers.

³³ Texas State [mileage travel guidelines](#) state that, if a state employee uses their odometer to determine the number of miles between points, the supporting documentation must include a point-to-point itemization and must identify the mapping service used. Further, the [In-State Mileage](#) policy available on TAMU's Financial Management Operations website states that travelers must support reimbursable mileage either with documentation from Google Maps or with the actual number of miles driven, as determined from odometer readings.

³⁴ TAMU Time and Effort Reporting 15.01.04.M0.01, Section 1.6.2, states that personnel must certify their effort within 45 days after activity reports become available for certification.

Table 6.a. Non-Compliance with TAMU’s Effort Policy

NSF Award No.	Effort Reporting Period	Effort Reporting Due Date	Effort Reporting Certification Date
██████████	1/1/2018 – 6/30/2018	8/30/2018	10/1/2018
██████████	7/1/2018 – 12/31/2018	4/5/2019	5/13/2019
██████████	1/1/2019 – 6/30/2019	8/29/2019	10/30/2019

Source: Auditor summary of identified instances of non-compliance with TAMU’s internal effort-reporting policies.

Non-Compliance with TAMU’s Procurement Policies

We identified three instances in which TAMU did not comply with its internal procurement policies, which require that personnel appropriately complete a requisition form³⁵ and a sole-source justification form³⁶ before the vendor or consultant begins providing the services, as follows:

- In February 2017, TAMU charged NSF Award No. ██████████ for \$9,290 in consulting services for which TAMU did not complete a requisition form before the consultant began providing the services.
- In September 2018, TAMU charged NSF Award No. ██████████ for \$15,461 in costs incurred to obtain transcription services for which TAMU did not complete the sole-source justification form and requisition form before the vendor began providing the services.
- In February 2019, TAMU charged NSF Award No. ██████████ for \$10,138 in costs incurred to obtain services from ██████████ during the period from May through December 2017. Although TAMU provided a sole-source justification form indicating that it was not required to undergo the competitive bidding process because the expenses related to an existing agreement, TAMU did not have an executed agreement with ██████████ that covered the period from May through December 2017.

TAMU did not have adequate procedures and internal controls in place to ensure that it consistently complied with, and documented its compliance with, its internal travel, effort, and procurement policies and procedures. As a result, we identified nine instances in which TAMU did not comply with its internal policies when charging costs to NSF awards, as illustrated in Table 6.b.

³⁵ TAMU Purchasing Procedures 25.07.03.M2.01, Section 3.2 states that if services have an estimated cumulative value that exceeds \$10,000, personnel must submit a requisition to Procurement Services before the start date of the service.

³⁶ TAMU Purchasing Procedures 25.07.03.M2.01, Sections 1.2 and 1.4 state that, when making a purchase that exceeds \$10,000, personnel must submit documented proprietary/sole-source requisitions that the buyer and the Assistant Director have reviewed for appropriate justification and that Procurement Services has approved prior to award.

Table 6.b. Non-Compliance with TAMU Policies

NSF Award No.	Compliance Exception Identified
[REDACTED]	September 2016 Student Travel Not Supported by Prior Written Notification
[REDACTED]	November 2016 Student Travel Not Supported by Prior Written Notification
[REDACTED]	August 2019 Travel Not Supported by Documentation of Actual Mileage Reimbursed
[REDACTED]	July 2018 Effort Report Not Certified by Due Date
[REDACTED]	February 2019 Effort Report Not Certified by Due Date
[REDACTED]	July 2019 Effort Report Not Certified by Due Date
[REDACTED]	February 2017 Requisition Not Completed Prior to Performance of Consulting Services
[REDACTED]	September 2018 Sole-Source Justification and Requisition Not Completed Prior to Performance of Services
[REDACTED]	February 2019 Services Not Appropriately Competed or Documented as Sole-Source

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct TAMU to strengthen its administrative and management procedures and internal controls for incurring travel costs charged to sponsored projects. Processes could include conducting annual training for individuals who charge travel expenses to sponsored projects. The training should specifically address obtaining prior written notification before approving student travel and ensuring that mileage reimbursement documentation includes both a starting and ending address or support for actual mileage driven.
2. Direct TAMU to strengthen its administrative and management procedures and internal controls related to the effort certification process. Processes could include conducting annual training for individuals who certify effort reports for federally sponsored projects. The training should specifically address ensuring that the individuals approve effort within 45 days after the activity report becomes available for certification.
3. Direct TAMU to strengthen its administrative and management procedures and internal controls related to procurement processes. Processes could include:
 - a. Conducting annual training for individuals who are responsible for approving service expenses that require a sole-source justification and requisition before the vendor or consultant begins providing the services.
 - b. Implementing a control to flag service expenses from vendors that have invoiced a cumulative total of more than \$10,000 to ensure that TAMU has executed a service agreement with each vendor before processing the payment.

Texas A&M University Response: TAMU did not specify whether it agreed or disagreed with this finding; it only noted that it has internal controls in place to provide reasonable assurance of

compliance with its travel, effort, and procurement policies, and that it will assess its current procedures and provide annual training as needed.

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

Finding 7: Incorrect Application of Budgeted Indirect Cost Rates

TAMU applied incorrect indirect cost rates to direct expenses accumulated on 112 NSF awards. For each of these awards, TAMU applied the indirect cost rate that was included in the award budget, rather than using all of the rates included in the NICRA in effect as of the date of award, as required by applicable Federal³⁷ and NSF guidance.³⁸ As a result, TAMU applied indirect costs at rates that were both lower and higher than the NICRA rates that it should have applied based on the date of grant award.

- *TAMU agreed with the exceptions identified.*

When TAMU received an NSF grant, it established accounts to apply indirect costs at the rate(s) included in the approved proposal budget, rather than setting the account up to apply all appropriate NICRA rates. Although TAMU does not appear to have overcharged indirect costs to NSF during the audit period, this methodology does not comply with Federal requirements and may have resulted in TAMU overcharging NSF in prior periods, or may result in TAMU overcharging NSF for indirect costs in the future. As a result, TAMU applied inappropriate indirect cost rates to direct expenses accumulated on 112 NSF awards, as shown in Appendix D.

Recommendation

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

1. Direct TAMU to update its current award set-up practices to require that, when setting up accounts established for NSF awards, personnel ensure that the accounts apply indirect costs using the rates that were established in the Negotiated Indirect Cost Rate Agreement in effect as of the date of the NSF grant award, rather than using the rates included within the original grant budget.

Texas A&M University Response: TAMU did not specify whether it agreed or disagreed with this finding; it only noted that its current NICRA procedures include using the indirect cost rates that were in effect on the date of each NSF grant award, and that it does not use only the rate that was included in the original budget.

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

³⁷ According to 2 CFR 220, Appendix A, Section G.7.a. and 2 CFR Part 200, Appendix III, Section C.7, when identifying and computing indirect costs at Institutions of Higher Education, Federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the award.

³⁸ NSF also requires Institutions of Higher Education to use the negotiated indirect cost rate in effect as of the date of award throughout the life of the award. See NSF PAPPGs 10-1, 11-1, 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, and 19-1, Part I, Chapter II, Section C.2.g.(viii).

COTTON & COMPANY LLP



Megan Mesko, CPA, CFE
Partner
December 14, 2020

APPENDIX A: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0419F0470
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
TEXAS A&M UNIVERSITY

SCHEDULE OF QUESTIONED COSTS BY FINDING

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Unallowable Expenses	\$0	\$50,439	\$50,439
2	Inadequately Supported Expenses	0	50,409	50,409
3	Inappropriately Allocated Expenses	0	20,739	20,739
4	Inappropriately Applied Indirect Costs	0	15,312	15,312
5	Funding Inappropriately Drawn Down in ACMS	0	659	659
6	Non-Compliance with TAMU Policies	0	0	0
7	Incorrect Application of Budgeted Indirect Cost Rates	<u>0</u>	<u>0</u>	<u>0</u>
Total		<u>\$0</u>	<u>\$137,558</u>	<u>\$137,558</u>

APPENDIX B: TEXAS A&M UNIVERSITY RESPONSE



TEXAS A&M UNIVERSITY

MICHAEL K. YOUNG
President

November 30, 2020

Cotton & Company, LLC
Attn: Megan Mesko, CPA, CFE – Partner
635 Slaters Lane, 4th Floor
Alexandria, VA 22314

Dear Ms. Mesko,

Texas A&M University (TAMU) appreciates the opportunity to work with the National Science Foundation Office of Inspector General and Cotton & Company, LLC to examine its research accounting practices. TAMU takes very seriously its obligation to administer NSF awards in compliance with all applicable laws, policies, and requirements. As such, TAMU welcomes recommendations and opportunities to improve its research accounting practices. TAMU is committed to continuing to enhance policies and procedures surrounding its research accounting practices. To that end, the University is assessing each recommendation from Cotton & Company and, with input from NSF during the resolution process, will seek to implement those that will enhance its current compliance environment.

TAMU agrees to reimburse the NSF \$37,058 in questioned costs identified by Cotton & Company. We do not agree with \$100,500 of questioned costs.

Best Regards,

A handwritten signature in black ink that reads 'Michael K. Young'.

Michael K. Young

Attachment

Appendix: Texas A&M University's Response to Audit Findings

Finding 1: Unallowable Expenses

TAMU has internal controls in place to provide reasonable assurance that expenses charged to federally sponsored awards are allowable, allocable, reasonable, and necessary, and to ensure that costs are allowable in accordance with federal and sponsor regulation and University Policy. However, TAMU will evaluate and improve its current procedures and will provide training in the areas identified.

NSF Award No.	Amount	TAMU Response								
[REDACTED]	\$15,055	<p>TAMU disagrees with the finding. The PI moved from [REDACTED] University [REDACTED] to TAMU. Employment at TAMU started September 1, 2017. Upon the PI's transfer to TAMU, the NSF terminated [REDACTED] and issued a new award, [REDACTED] to TAMU for the remainder of the scope of work. The [REDACTED] [REDACTED] had been providing testing services under NSF award [REDACTED]. By the time the testing was complete and [REDACTED] invoiced for the services, the NSF had terminated [REDACTED] and awarded [REDACTED]. The services were included in the budget as "unpaid obligations" as shown below in the award notification for [REDACTED]. The invoice for testing services performed prior to the start date of [REDACTED] was not part of the budget on the subaward issued by TAMU to [REDACTED] under award [REDACTED] as the auditor asserts.</p> <p>Below is an excerpt from the award notice for [REDACTED] showing the acknowledgment of unpaid obligations:</p> <div style="text-align: center;"> <p>National Science Foundation 2415 Eisenhower Avenue, Alexandria, Virginia 22314, USA</p> </div> <p>AWARD NOTICE</p> <p>AWARD DATE: April 2, 2018</p> <p>ORIGINAL GRANT NUMBER (FAIN): [REDACTED]</p> <p>START DATE OF TRANSFER: January 1, 2018 <small>(becomes start date of transferred award)</small></p> <p>REVISED END DATE OF GRANT: April 30, 2018</p> <table border="0"> <tr> <td>1. Original Grant Amount (including amendments actually awarded, if any)</td> <td style="text-align: right;">\$379,143</td> </tr> <tr> <td>2. Total estimated disbursements and unpaid obligations (at start date of transfer)</td> <td style="text-align: right;">\$34,662</td> </tr> <tr> <td>3. Estimated unobligated balance (amount to be transferred)</td> <td></td> </tr> <tr> <td>Net</td> <td style="text-align: right;">\$344,481</td> </tr> </table> <p>Below is an excerpt from the budget justification for award [REDACTED] which matches the description of services provided by [REDACTED] on the invoice related to the questioned costs:</p> <p>E. Equipment or Facility/user fee The total estimated amount of \$20,000 is budgeted for using 12-Fan Wall of Wind (WOW) facility (a NSF-supported Natural Hazards Engineering Research Infrastructure (NHERI) Experimental Facility (EF)) for around 15 days of pre-test, 7 days of testing and 5 days of post-test for the project.</p>	1. Original Grant Amount (including amendments actually awarded, if any)	\$379,143	2. Total estimated disbursements and unpaid obligations (at start date of transfer)	\$34,662	3. Estimated unobligated balance (amount to be transferred)		Net	\$344,481
1. Original Grant Amount (including amendments actually awarded, if any)	\$379,143									
2. Total estimated disbursements and unpaid obligations (at start date of transfer)	\$34,662									
3. Estimated unobligated balance (amount to be transferred)										
Net	\$344,481									

██████████	\$13,335	TAMU disagrees with the finding. The services provided by ██████████ University on this transaction were invoiced approximately one-year after the subaward had ended. As such, ██████████ University issued an invoice to TAMU that was not associated with the subaward. Rather than amend the expired subaward or execute a new subaward, TAMU paid for the services as a regular procurement.
██████████	\$12,001	TAMU agrees to reimburse NSF for these expenses.
██████████	\$2,760	TAMU disagrees with the auditor's decision to question the entire cost of the airfare. TAMU agrees that the traveler could have retained documentation related to any cost difference that may have resulted from the timing of the personal days. In this case the cost could have been higher or lower.
██████████	\$2,425	TAMU disagrees with the auditor's decision to question the entire cost of the airfare. TAMU agrees that the traveler could have retained documentation related to any cost difference that may have resulted from the timing of the personal days. In this case the cost could have been higher or lower.
██████████	\$482	TAMU agrees to reimburse NSF for these expenses.
██████████	\$4,381	TAMU agrees to reimburse NSF for these expenses.

Finding 2: Inadequately Supported Expenses

TAMU has internal controls in place to provide reasonable assurance that expenses charged to federally sponsored awards are allowable, allocable, reasonable, and necessary, and to ensure that costs are supported by sufficient documentation.

NSF Award No.	Amount	TAMU Response
██████████	\$46,415	TAMU disagrees with the finding. The TAMU Foundation provided data and services that were critical to the success of the NSF project. The expense is included in the proposal budget and is described in the proposal budget justification. The printing and mailing services provided by the Foundation are not offered in the normal course of Foundation operations. Thus, the Foundation does not normally create invoices for these services. This may have contributed to the Foundation submitting an invoice that did not include per unit rates or quantities. However, the PI carefully tracked the quantities as part of the research project. The PI reviewed the invoice and approved the expense.
██████████	\$2,303	TAMU disagrees with the finding. The conference organizers, rather than TAMU, administered travel plans, including booking airfare. The conference organizers have certified to TAMU that they only book economy class airfare for conference participants.

██████████	\$500	TAMU disagrees with the finding. The conference organizers, rather than TAMU, administered travel plans, including booking airfare. The conference organizers have certified to TAMU that they only book economy class airfare for conference participants. In several, but not all, cases the conference participant provided documentation to TAMU showing that they traveled in economy class seats.
██████████	\$1,191	TAMU agrees to reimburse NSF for these expenses.

Finding 3: Inappropriately Allocated Expenses

TAMU has internal controls in place to provide reasonable assurance that expenses charged to federally sponsored awards are allowable, allocable, reasonable, and necessary, and to ensure that costs are consistently allocated to sponsored awards based on the relative benefit received. TAMU will remind PIs and expense approvers to pay particular attention to items purchased near the award expiration date.

NSF Award No.	Amount	TAMU Response
██████████	\$6,193	TAMU disagrees with the finding. The monitor was purchased to connect to the PI's workhorse MacBook Pro. The computer and monitor were employed to carry out research on this NSF award including all aspects of data development, manipulation, cleaning, coding, merging, etc.
██████████	\$3,979	TAMU disagrees with the finding. The purchase was made and received in April 2018 and assisted with the computations needed to complete the final report.
██████████	\$1,497	TAMU disagrees with the finding. The software was needed to complete the project. The cost allocated to this NSF award was for a one-year subscription which is the minimum subscription term offered by ██████████. The contract was for a longer period, but the cost charged to this NSF project was based on a one-year subscription which encompassed the duration of the project (as noted above, the minimum term available). Per the PI, this subscription has only been used on this NSF project and a new NSF project that was awarded September 15, 2019.
██████████	\$4,088	TAMU disagrees with the finding. The RFP solicitation ██████████ indicates salary and fringe is allowable for administrative staff that will perform dedicated work on the ██████████ project. The laptop was needed for the administrative staff to carry out the work on this project which required travel to remote work locations and, therefore, a portable computing device.
██████████	\$3,123	TAMU agrees to reimburse NSF for these expenses.
██████████	\$762	TAMU agrees to reimburse NSF for these expenses.
██████████	\$1,097	TAMU agrees to reimburse NSF for these expenses.

Finding 4: Inappropriately Applied Indirect Costs

TAMU has internal controls in place to provide reasonable assurance that funds expended for equipment, subaward expenses over \$25,000, and tuition remission are excluded from the MTDC base. TAMU has a dedicated property management staff responsible for evaluating whether costs should be expensed as supplies or capitalized as equipment. However, TAMU will assess and improve its current procedures in this area and will provide annual training as needed.

NSF Award No.	Amount	TAMU Response
██████████	\$4,549	TAMU agrees to reimburse NSF for these expenses.
██████████	\$6,298	TAMU agrees to reimburse NSF for these expenses.
██████████	\$1,950	TAMU disagrees with the finding. While the cost of the replacement part exceeded \$5,000 it does not extend the useful life of the equipment as a whole, rather, it returned the asset to an operable state and allowed it to continue through its original useful life. Therefore the cost was expensed in compliance with TAMU procedures.
██████████	\$1,781	TAMU agrees to reimburse NSF for these expenses.
██████████	\$734	TAMU agrees to reimburse NSF for these expenses.

Finding 5: Funding Inappropriately Drawn Down in ACMS

TAMU has internal controls in place to provide reasonable assurance that cash drawn down in ACM\$ reconciles to the total expenses accumulated in the accounting system. The small difference identified in this finding has been corrected.

NSF Award No.	Amount	TAMU Response
██████████	\$659	TAMU has reimbursed NSF for these expenses. The funds were returned to NSF on November 26, 2019.
██████████	\$(5)	
	\$5	

Finding 6: Non-Compliance with TAMU Policies

TAMU has internal controls in place to provide reasonable assurance of compliance with travel policies, effort policies, and procurement policies. However, TAMU will assess its current procedures in these areas and will provide annual training as needed.

Finding 7: Incorrect Application of Budgeted Indirect Cost Rates

TAMU's current award setup procedures include utilizing indirect cost rates in the NICRA which were in effect at the date of each NSF grant award. We do not use only the rate that was included within the original budget.

APPENDIX C: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

The NSF OIG Office of Audits engaged Cotton & Company LLP (referred to as “we”) to conduct an audit survey, the objective of which was to evaluate TAMU’s award management environment to determine whether any further audit work was warranted and to recommend a path forward as described in the task order performance work statement, and then to perform any additional audit work, as determined appropriate.

Accordingly, we conducted this engagement in two phases, as follows:

Audit Survey Phase: After obtaining NSF OIG’s approval for our audit plan, we performed all of the audit survey steps outlined in the plan at the auditors’ offices and onsite at TAMU in College Station, Texas. Generally, these steps included:

- Assessing the reliability of the general ledger data that TAMU provided by comparing the costs charged to NSF awards per TAMU’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests.
 - Our work required us to rely on computer-processed data obtained from TAMU and NSF OIG. NSF OIG provided award data that TAMU reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that TAMU provided by (1) comparing the costs charged to NSF awards per TAMU’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that TAMU submitted to NSF during the audit survey POP; and (2) reviewing the parameters that TAMU used to extract transaction data from its accounting systems. We identified a number of discrepancies between the amounts supported by TAMU’s general ledger and the amounts that TAMU claimed per NSF’s ACM\$ system; however, we found TAMU’s computer-processed data to be sufficiently reliable for the purposes of the audit survey, as TAMU was able to provide justification for all discrepancies identified and we did not identify any issues with the parameters that TAMU used to extract the accounting data.
 - We found NSF’s computer-processed data to be sufficiently reliable for the purposes of this audit. We did not review or test whether the data contained in, or the controls over, NSF’s databases were accurate or reliable; however, the independent auditor’s report on NSF’s financial statements for FY 2019 found no reportable instances in which NSF’s financial management systems did not substantially comply with applicable requirements.
 - TAMU provided detailed transaction-level data to support all costs charged to NSF awards during the period. This data resulted in a total audit universe of \$63,657,277 in costs claimed on 413 NSF awards.

- Obtaining and reviewing all available accounting and administrative policies and procedures, external audit reports, desk review reports, and other relevant information that TAMU and NSF OIG provided, as well as any other relevant information that was available online.
- Summarizing our understanding of Federal, NSF, and TAMU-specific policies and procedures surrounding costs budgeted for and/or charged to NSF awards and specifically identifying the controls in place to ensure that costs charged to sponsored projects were reasonable, allocable, and allowable.
 - In planning and performing this audit, we considered TAMU’s internal controls, within the audit’s scope, solely to understand the policies and procedures TAMU has in place to ensure charges against NSF awards were in compliance with relevant Federal regulations, NSF award terms, and TAMU policies.
- Evaluating the strengths and weaknesses of the policies and procedures that TAMU has in place to control the inherent, fraud, and control risks identified for each budget category.
- Providing TAMU with a list of 45 transactions that we selected based on our data analytics and requesting that TAMU provide documentation to support each transaction.
- Reviewing the supporting documentation that TAMU provided and requesting additional documentation as necessary to ensure that we obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction under relevant Federal,³⁹ NSF,⁴⁰ and TAMU policies.⁴¹
- Holding interviews and walkthroughs while onsite in College Station, Texas in February 2020 to discuss payroll (including effort reporting), fringe benefits, travel, participant support costs, procurement, equipment (including performing an inventory check), the graduate research fellowship program, other direct costs (including areas such as patents, relocation, recruiting, interest, advertising/public relations, entertainment, fundraising, lobbying, selling/marketing, and training costs), grant close-out procedures, subawards, ACM\$ processing, indirect costs, and other general policies (including areas such as pre- and post-award costs, program income, whistleblower information, research misconduct, and conflict of interest policies).
- Preparing an organizational risk assessment that (1) summarized the results of our planning/initial fieldwork, (2) included areas of elevated risk of noncompliance that we

³⁹ We assessed TAMU’s compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 2 CFR Part 220, *Cost Principles for Educational Institutions* (Office of Management and Budget Circular A-21); and 2 CFR Part 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (Office of Management and Budget Circular A-110), as appropriate.

⁴⁰ We assessed TAMU’s compliance with *NSF Proposal and Award Policies and Procedures Guides* 10-1, 11-1, 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, and 19-1, and specific NSF award specific terms and conditions, as appropriate.

⁴¹ We assessed TAMU’s compliance with internal TAMU policies and procedures surrounding costs budgeted for and/or charged to NSF awards.

identified in the organization's award management environment, and (3) contained our recommendations for expanded testing.

Additional Audit Work Phase: Based on the areas of elevated risk of noncompliance identified during the survey phase, we determined that we should perform further audit procedures that included:

- Conducting additional data analytics, evaluating the results of the analytics, and re-running analytical tests, as necessary.
- Selecting an additional audit sample of 85 transactions.
- Conducting additional fieldwork, which included providing the list of 85 transactions to TAMU and requesting/reviewing supporting documentation until we had obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction.
- Conducting additional audit work in four areas to evaluate whether TAMU (1) inappropriately allocated one-time salary payments to NSF awards, (2) inappropriately drew down funding from NSF's ACM\$, (3) appropriately received NSF approval for the use of subawards prior to execution, and (4) appropriately assessed indirect costs on awards.

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

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, 2018 Revision, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D: FINDING 7 COMPLIANCE EXCEPTION DETAILS

NSF Award No.	Award Date	Rate Applied	Appropriate Rate
	9/20/2011	46.50%	45.50%
	1/20/2012	46.50%	45.50%
	2/27/2012	46.50%	45.50%
	6/21/2012	46.00%	45.50%
	7/2/2012	46.50%	45.50%
	7/16/2012	46.00%	45.50%
	7/17/2012	46.50%	45.50%
	7/17/2012	46.50%	45.50%
	7/18/2012	46.50%	45.50%
	7/23/2012	46.50%	45.50%
	7/24/2012	46.00%	45.50%
	7/25/2012	46.00%	45.50%
	8/3/2012	46.50%	45.50%
	8/3/2012	48.50%	45.50%
	8/9/2012	48.50%	45.50%
	8/10/2012	46.50%	45.50%
	8/13/2012	46.00%	45.50%
	8/22/2012	46.00%	45.50%
	8/23/2012	46.00%	45.50%
	8/23/2012	46.00%	45.50%
	8/23/2012	46.00%	45.50%
	8/27/2012	46.00%	45.50%
	8/27/2012	48.50%	45.50%
	8/29/2012	46.00%	45.50%
	9/6/2012	46.00%	45.50%
	9/15/2012	46.00%	45.50%
	9/25/2012	46.00%	45.50%
	1/2/2013	46.00%	45.50%
	1/2/2013	46.00%	45.50%
	1/30/2013	46.00%	45.50%
	1/31/2013	46.00%	45.50%
	2/5/2013	46.00%	45.50%
	2/6/2013	46.00%	45.50%
	2/6/2013	46.00%	45.50%
	2/6/2013	46.00%	45.50%
	3/21/2013	46.00%	45.50%
	3/25/2013	46.00%	45.50%
	4/1/2013	46.00%	45.50%
	4/4/2013	46.00%	45.50%
	5/21/2013	46.00%	45.50%
	7/1/2013	46.00%	45.50%
	7/9/2013	46.00%	45.50%
	7/9/2013	46.00%	45.50%
	7/9/2013	46.50%	45.50%
	7/11/2013	46.00%	45.50%
	7/16/2013	46.00%	45.50%
	7/16/2013	46.00%	45.50%
	7/17/2013	48.50%	45.50%
	7/22/2013	46.00%	45.50%
	7/23/2013	46.00%	45.50%
	7/26/2013	46.00%	45.50%
	8/13/2013	48.50%	45.50%

NSF Award No.	Award Date	Rate Applied	Appropriate Rate
	8/19/2013	46.00%	45.50%
	8/19/2013	46.00%	45.50%
	8/20/2013	46.00%	45.50%
	8/28/2013	46.00%	45.50%
	9/11/2013	48.50%	45.50%
	9/11/2013	48.50%	45.50%
	9/3/2014	45.50%	48.50%
	9/6/2014	45.50%	48.50%
	9/8/2014	45.50%	48.50%
	9/8/2014	45.50%	48.50%
	1/6/2015	45.50%	48.50%
	1/20/2015	45.50%	48.50%
	1/28/2015	45.50%	48.50%
	2/11/2015	45.50%	48.50%
	2/18/2015	45.50%	48.50%
	2/26/2015	45.50%	48.50%
	3/10/2015	45.50%	48.50%
	3/11/2015	45.50%	48.50%
	3/17/2015	45.50%	48.50%
	3/17/2015	45.50%	48.50%
	3/18/2015	45.50%	48.50%
	4/13/2015	45.50%	48.50%
	4/13/2015	45.50%	48.50%
	4/29/2015	45.50%	48.50%
	5/1/2015	45.50%	48.50%
	5/5/2015	45.50%	48.50%
	5/5/2015	45.50%	48.50%
	5/6/2015	45.50%	48.50%
	5/7/2015	45.50%	48.50%
	5/7/2015	45.50%	48.50%
	5/8/2015	45.50%	48.50%
	5/11/2015	45.50%	48.50%
	5/13/2015	45.50%	48.50%
	6/8/2015	45.50%	48.50%
	6/8/2015	45.50%	48.50%
	6/23/2015	45.50%	48.50%
	6/23/2015	45.50%	48.50%
	7/9/2015	45.50%	48.50%
	7/10/2015	45.50%	48.50%
	7/10/2015	45.50%	48.50%
	7/15/2015	45.50%	48.50%
	7/15/2015	45.50%	48.50%
	7/20/2015	45.50%	48.50%
	7/24/2015	45.50%	48.50%
	7/30/2015	45.50%	48.50%
	8/4/2015	45.50%	48.50%
	8/10/2015	45.50%	48.50%
	8/11/2015	45.50%	48.50%
	8/11/2015	45.50%	48.50%
	8/13/2015	45.50%	48.50%
	8/17/2015	45.50%	48.50%
	8/21/2015	45.50%	48.50%

NSF Award No.	Award Date	Rate Applied	Appropriate Rate
	8/25/2015	45.50%	48.50%
	8/26/2015	45.50%	48.50%
	8/31/2015	45.50%	48.50%
	9/1/2015	45.50%	48.50%
	9/1/2015	45.50%	48.50%
	9/4/2015	45.50%	48.50%
	9/11/2015	45.50%	48.50%
	8/26/2016	48.60%	48.50%
	8/26/2016	48.60%	48.50%
	7/12/2017	10.00%	11.11% ⁴²
	9/6/2018	48.50%	50.00%
	10/22/2018	48.50%	50.00%
	12/6/2018	48.50%	50.00%
	12/21/2018	48.50%	50.00%
	3/29/2019	48.50%	50.00%
	4/3/2019	48.50%	50.00%
	5/2/2019	48.50%	50.00%
	5/16/2019	48.50%	50.00%
	5/29/2019	48.50%	50.00%
	6/17/2019	48.50%	50.00%
	7/1/2019	48.50%	50.00%
	7/10/2019	48.50%	50.00%
	7/16/2019	48.50%	50.00%
	7/22/2019	48.50%	50.00%
	7/23/2019	48.50%	50.00%

Source: Auditor summary of identified exceptions.

⁴² NSF Award No. [REDACTED] is an I-Corps award that was limited to \$45,000 in direct costs; TAMU should therefore have applied a rate of 11.11 percent (\$5,000/\$45,000).



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