

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – State University of New York at Stony Brook

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

May 18, 2021
OIG 21-1-010





AT A GLANCE

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – State University of New York at Stony Brook

Report No. OIG 21-1-010

May 18, 2021

AUDIT OBJECTIVE

The National Science Foundation Office of Inspector General engaged Cotton & Company LLP (C&C) to conduct a performance audit of the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the State University of New York at Stony Brook (Stony Brook) for the period March 1 to September 30, 2020. The auditors tested approximately \$611,000 of the more than \$21 million of costs claimed to NSF. The objective of the audit was to determine if Stony Brook used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether Stony Brook complied with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix E.

AUDIT RESULTS

The report highlights that there were no exceptions identified with Stony Brook's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26. Although the auditors did not identify any exceptions related to Stony Brook's use of the flexibilities, they did identify one area in which Stony Brook could improve its administration of flexibility-related expenses charged to NSF awards related to monitoring of travel credits. The auditors also identified concerns about Stony Brook's compliance with certain Federal regulations and NSF award terms and conditions not related to the flexibilities. The auditors questioned \$31,341 of costs claimed during the audit period. Specifically, the auditors identified \$20,530 in inappropriate Award Cash Management Service drawdowns; \$6,913 in unused travel advances; and \$3,898 in inappropriately allocated expenses. The auditors also identified two compliance-related findings for which there were no questioned costs: indirect costs inappropriately applied using blended rates and incorrect application of proposed indirect costs. C&C is responsible for the attached report and the conclusions expressed in it. NSF OIG does not express any opinion on the conclusions presented in C&C's audit report.

RECOMMENDATIONS

The auditors included one area of improvement and five findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure Stony Brook strengthens administrative and management controls.

AUDITEE RESPONSE

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

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



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

MEMORANDUM

DATE: May 18, 2021

TO: Dale Bell
Director
Division of Institution and Award Support

Jamie French
Director
Division of Grants and Agreements



FROM: Mark Bell
Assistant Inspector General
Office of Audits

SUBJECT: Audit Report No. 21-1-010, State University of New York at Stony Brook

This memorandum transmits the Cotton & Company LLP (C&C) report for the audit of the implementation of Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities at the State University of New York at Stony Brook (Stony Brook) for the period March 1 to September 30, 2020. The audit encompassed approximately \$611,000 of the more than \$21 million claimed to NSF during the period. The objective of the audit was to determine whether Stony Brook used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether Stony Brook complied with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix E.

Please coordinate with our office during the 6-month resolution period, as specified by OMB 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

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**PERFORMANCE AUDIT OF THE
STATE UNIVERSITY OF NEW YORK AT STONY BROOK'S
IMPLEMENTATION OF THE
OFFICE OF MANAGEMENT AND BUDGET
CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

**NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL**

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**NATIONAL SCIENCE FOUNDATION
 PERFORMANCE AUDIT OF THE STATE UNIVERSITY OF NEW YORK AT STONY BROOK’S
 IMPLEMENTATION OF THE OFFICE OF MANAGEMENT AND BUDGET
 CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

I. BACKGROUND

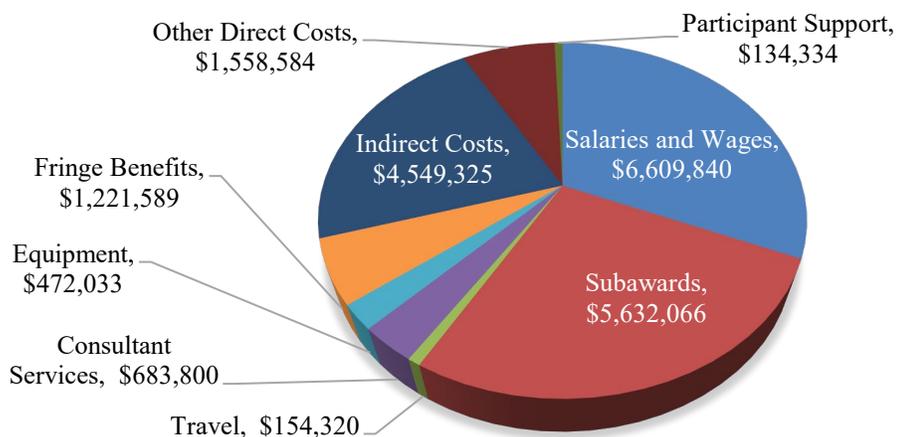
The National Science Foundation is an independent Federal agency created by Congress in 1950 “[t]o promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507).

In response to the Coronavirus Disease 2019 (COVID-19) pandemic, the Office of Management and Budget (OMB) issued memoranda that provided temporary administrative flexibilities for Federal financial assistance awards. Subsequently, NSF published a variety of additional guidance for NSF awardees regarding how to implement these flexibilities, as outlined in the Objectives, Scope, and Methodology section of this report (**Appendix E**).

Recognizing the need to ensure NSF award recipients properly implemented these flexibilities, the NSF Office of Inspector General engaged Cotton & Company LLP (referred to as “we”) to conduct a limited-scope performance audit to determine whether the State University of New York at Stony Brook (Stony Brook) implemented the administrative COVID-19 flexibilities and, if so, whether it complied with the associated guidelines.

In performing this audit, we gathered and reviewed general ledger (GL) detail that supported more than \$21 million in expenses that Stony Brook claimed on 252 NSF awards during our audit period of performance of March 1 to September 30, 2020, as illustrated in Figure 1.

Figure 1. Costs Claimed by NSF Budget Category, March 1 through September 30, 2020¹



Source: Auditor analysis of accounting data provided by Stony Brook.

¹ The \$21,015,891 in award-related expenses reported in Stony Brook’s GL is less than the \$21,036,422 reported in NSF’s Award Cash Management Service (ACMS). As a result, we are questioning \$20,530 in funding inappropriately drawn down from expiring appropriations, as illustrated in Finding 1.

This performance audit, conducted under Order No. 140D0420F0622, was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report (**Appendix E**) and was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), 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 Stony Brook and NSF OIG. We included Stony Brook’s response to this report in its entirety in **Appendix D**.

II. AUDIT RESULTS

We did not identify any exceptions with regard to Stony Brook’s use of the administrative flexibilities granted through NSF’s implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26 (referred to as “COVID-19 flexibilities”), as detailed in **Appendix A**. Within the limited scope of our testing, we were able to gain an understanding of Stony Brook’s implementation of the flexibilities and did not identify any instances in which Stony Brook did not comply with the associated guidelines, as summarized below.

Stony Brook did not specifically track the expenses that it incurred under the COVID-19 flexibilities within its accounting system; however, we gained an understanding of how Stony Brook implemented these flexibilities, including how the implementation process fit within Stony Brook’s overall grant management environment, by conducting a series of interviews with State University of New York Research Foundation and Stony Brook staff. Based on this understanding and Stony Brook’s responses to the OMB flexibilities survey included in **Appendix B**, we tailored our data analytics sampling approach to enable us to select 30 transactions that Stony Brook incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.

We tested the 30 transactions sampled, which represented \$610,906² in costs that Stony Brook charged to NSF awards during the audit period, and identified five examples in which Stony Brook used the flexibilities that OMB granted and NSF implemented, as follows:

- Stony Brook charged NSF Award No. [REDACTED] for \$158 in airfare expenses associated with a cancelled flight.
- Stony Brook charged NSF Award No. [REDACTED] for \$3,898 in airfare expenses associated with a cancelled flight.
- Stony Brook charged NSF Award No. [REDACTED] for \$164 in unbudgeted COVID-19-related expenses (such as COVID-19 testing fees and costs for sanitizing materials) incurred to enable personnel to continue performing grant-related field research.

² The \$610,906 represents the total value of the 30 transactions selected for transaction-based testing. It does not represent the dollar base of the total costs reviewed during the audit.

- Stony Brook charged NSF Award No. [REDACTED] for \$488 in expenses that the Principal Investigator (PI) incurred to purchase face masks for team members to wear while performing grant-related work in a laboratory.
- Stony Brook charged NSF Award No. [REDACTED] for \$650 in airfare expenses associated with a cancelled flight.

While these expenses are not typically allowable on NSF awards, because these costs relate to the cancellation of events and other activities necessary and reasonable for the performance of these awards, consistent with flexibility 7 of OMB Memorandum M-20-17,³ we noted no exception with Stony Brook's uses of this flexibility.

Although we did not identify any exceptions related to Stony Brook's use of the COVID-19 flexibilities, we did identify one area in which Stony Brook could improve its administration of flexibility-related expenses charged to NSF awards:

- Monitoring of travel credits.

We also determined that Stony Brook needs improved oversight of expenses charged to NSF awards to ensure costs not related to the COVID-19 flexibilities are reasonable, allocable, and allowable in accordance with all relevant Federal regulations and NSF award terms and conditions. Specifically, we identified and questioned \$31,341 of direct and indirect costs that Stony Brook inappropriately claimed during the audit period, including:

- \$20,530 in inappropriate Award Cash Management Service (ACMS) drawdowns.
- \$6,913 in unused travel advances.
- \$3,898 in inappropriately allocated expenses.

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

- Indirect costs inappropriately applied using blended rates.
- Incorrect application of proposed indirect costs.

We discuss the area for improvement and five findings in the *Area for Improvement and Audit Findings* sections below.

³ OMB Memorandum M-20-17, Flexibility 7. *Allowability of Costs not Normally Chargeable to Awards* states that recipients who incur costs related to the cancellation of events, travel, or other activities that are necessary and reasonable for the performance of the award, or the pausing and restarting of grant-funded activities, due to the public health emergency are authorized to charge these costs to their award without regard to 2 Code of Federal Regulations (CFR) § 200.403, *Factors affecting allowability of costs*; 2 CFR § 200.404, *Reasonable costs*; and 2 CFR § 200.405, *Allocable costs*.

III. AREA FOR IMPROVEMENT

For the purposes of this report, an “area for improvement” is a condition that does not necessarily constitute a policy violation but that warrants Stony Brook’s and NSF’s attention to ensure future costs claimed comply with all relevant regulations.

Area for Improvement: Monitoring of Travel Credits

Under its current monitoring procedures, Stony Brook could use travel credits to pay for travel that does not benefit the project(s) to which it charged the original travel expense.⁴ Specifically:

- Stony Brook received a \$3,898 travel credit for expenses it charged to NSF Award No. [REDACTED] in June 2020 related to cancelled airfare. While Stony Brook agreed to transfer the \$3,898 expense, which it determined was not allocable to NSF Award No. [REDACTED] to NSF Award No. [REDACTED] (see Finding 3), we noted that Stony Brook could use the travel credit associated with this expense to book travel that does not benefit NSF Award No. [REDACTED]

If grantees do not receive travel credits or travel credits are not used, expenses associated with cancelled travel are allowable under Flexibility 7 of OMB Memorandum M-20-17.⁵ However, because Stony Brook does not have monitoring procedures in place to ensure that it uses this or other travel credits it receives to benefit the NSF awards where the original travel expenses are charged, Stony Brook could use those credits for travel that does not benefit the NSF award(s) charged.

Consideration

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

1. Directing Stony Brook to implement additional monitoring procedures to ensure that it uses travel credits to benefit the NSF award(s) to which it charged the original travel expense. For cases in which Stony Brook uses a travel credit to benefit other project(s), it should monitor to ensure that the original travel expense is transferred to the appropriate funding source(s).

Stony Brook Response: Stony Brook did not respond to this suggested area for improvement.

Auditors’ Additional Comments: Our position regarding this area for improvement has not changed.

⁴ According to 2 CFR § 200.405, absent the COVID-19 flexibilities granted by OMB, for costs to be allowable, grantees must charge costs to Federal awards in accordance with the relative benefits received.

⁵ OMB Memorandum M-20-17, Flexibility 7. *Allowability of Costs not Normally Chargeable to Awards* states that recipients who incur costs related to the cancellation of events, travel, or other activities that were necessary and reasonable for the performance of the award, as well as costs related to the pausing and restarting of grant-funded activities, as a result of the public health emergency are authorized to charge these costs to the relevant award without regard to 2 CFR § 200.403, *Factors affecting allowability of costs*; 2 CFR § 200.404, *Reasonable costs*; and 2 CFR § 200.405, *Allocable costs*.

IV. AUDIT FINDINGS

For the purposes of this report, a finding is a condition that shows evidence of non-compliance with the regulations applicable to the sampled NSF awards.

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

Finding 1: Inappropriate Award Cash Management Service Drawdowns

Stony Brook inappropriately drew down \$20,530 from ACMS\$ for two NSF awards and did not maintain documentation to support that it limited its advance payment requests to the minimum amounts needed, as required by Federal regulations⁶ and the NSF Proposal and Award Policies and Procedures Guide (PAPPG).⁷ Specifically:

- On September 11, 2020, 15 days after NSF Award No. [REDACTED]'s period of performance expired and 19 days before its funding appropriation expired, Stony Brook drew down the \$26,661 in funding remaining on the award to cover costs that it might incur before the award's funding appropriation expired on September 30, 2020, as Stony Brook would be unable to draw down additional funding after September 23, 2020.⁸ Stony Brook's GL supports that it used this funding to cover \$21,887 in expenses that it incurred on or before the appropriation's expiration date; however, Stony Brook did not use the remaining \$4,774 it drew down to cover expenses incurred either before or after the appropriation expired.
 - *Stony Brook agreed to reimburse NSF for the unspent funds.*
- On September 15, 2020, 77 days after NSF Award No. [REDACTED]'s period of performance expired and 15 days before its funding appropriation expired, Stony Brook drew down the \$15,756 in funding remaining on the award to cover costs that it might incur before the award's funding appropriation expired on September 30, 2020, as Stony Brook would be unable to draw down additional funding after September 23, 2020.⁹ However, Stony Brook did not use any of the \$15,756 it drew down to cover expenses incurred either before or after the appropriation expired.
 - *Stony Brook agreed to reimburse NSF for the unspent funds.*

⁶ According to 2 CFR § 215.22(b)(2), cash advances to a recipient organization must be limited to the minimum amounts needed and must be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. Further, these policies note that the timing and amount of cash advances must be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

⁷ NSF PAPPG 14-1, Part II, Chapter III, Section C.3.b. states that cash requests for payment using ACMS\$ should be limited to the minimum amounts needed and should be timed to meet the anticipated cash requirements for allowable charges to active NSF projects.

⁸ NSF notified Stony Brook that September 23, 2020, was the last day it would be able to draw down funds on NSF awards with funding appropriations that expired on September 30, 2020.

⁹ NSF notified Stony Brook that September 23, 2020, was the last day it would be able to draw down funds on NSF awards with funding appropriations that expired on September 30, 2020.

Stony Brook interpreted the notices that it received from NSF’s Division of Financial Management regarding expiring appropriations¹⁰ as approval to draw down any remaining funds on the awards to cover allowable costs that it had not yet posted to its GL. Although this methodology did not result in Stony Brook using NSF award funds for purposes that were inconsistent with the appropriation,¹¹ we are questioning the \$20,530 in funding that Stony Brook inappropriately drew down on two NSF awards and did not support as being limited to the minimum amount needed based on anticipated cash requirements.

Table 1. Inappropriate ACM\$ Drawdowns

Description	NSF Award No.	Fiscal Year	Questioned Costs			Stony Brook Agreed to Reimburse ¹²
			Direct	Indirect	Total	
Inappropriate ACM\$ Draws	[REDACTED]	2021	\$4,774	\$0	\$4,774	\$4,774
		2021	15,756	0	15,756	15,756
Total			<u>\$20,530</u>	<u>\$0</u>	<u>\$20,530</u>	<u>\$20,530</u>

Source: Auditor summary of identified exceptions.

Recommendations

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

1. Direct Stony Brook to provide documentation supporting that it has repaid or otherwise credited the \$20,530 of questioned Award Cash Management Service drawdowns associated with unspent funds.
2. Direct Stony Brook to update its administrative and management processes and internal control procedures surrounding the Award Cash Management Service for awards with expiring appropriations. Updated processes could include validating that Stony Brook only draws down funding based on immediate cash needs and/or adequately documents that any Award Cash Management Service draws in excess of its actual expenses support immediate cash needs.

Stony Brook Response: Although Stony Brook agreed to return the unspent ACM\$ funds, it did not agree with the finding. Specifically, Stony Brook stated that neither OMB nor NSF policies

¹⁰ NSF’s Division of Financial Management sends awardees an e-mail each year identifying all NSF awards with unliquidated balances that are funded by NSF appropriations that will be canceled at the end of the fiscal year. The e-mails that Stony Brook received for these two awards stated that NSF would financially close and de-obligate unliquidated balances for the identified awards, and that it would not accept any future adjustments against the appropriations once the appropriations had been canceled.

¹¹ According to 2 CFR § 215.25(f), a Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.

¹² Although Stony Brook did not agree to this finding, Stony Brook personnel noted that Stony Brook returned the unspent funds to NSF in November 2020.

require advance payments to be based on actual amounts; instead, they require the timing of advances to be as close as is administratively feasible to the actual disbursements. As Stony Brook believes that NSF identified an immediate cash need for grantees to draw down canceling funds in its directive dated June 26, 2020, it believes its decision to draw down the funds remaining on these NSF awards was appropriate. Further, Stony Brook noted that it has already returned the unspent funds to NSF and that its current grant closeout procedures would have ensured that it returned the excess funds to NSF as soon as practicable.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, although Stony Brook's response supported that the timing of its advance payment requests may have been appropriate, because Stony Brook did not support that the amounts it drew down were limited to the minimum amounts needed based on its anticipated cash requirements, it did not support that these funds were appropriately drawn down in ACM\$.

Finding 2: Travel Advance Not Promptly Returned

Stony Brook did not promptly return cash it drew down to cover an unused travel advance charged to one NSF award, as required by the NSF PAPPG.¹³ Specifically:

- In March 2020, Stony Brook charged NSF Award No. [REDACTED] for \$6,913 for a travel advance provided to cover airfare, lodging, food, and ground transportation expenses that a traveler anticipated incurring in April 2020 while performing grant-related travel in the [REDACTED]. Although Stony Brook cancelled the advance check, as the trip was postponed due to COVID-19 travel restrictions, it did not process a credit to remove the expense associated with the travel advance from the award until we tested the expense as part of our audit procedures, more than 5 months after the trip was cancelled.
 - *Stony Brook agreed to reimburse NSF for these expenses.*

Stony Brook did not provide sufficient guidance regarding how to handle unused travel advances for trips cancelled due to the COVID-19 pandemic. As a result, we are questioning \$6,913 charged to one NSF award for expenses that Stony Brook did not promptly return to NSF. Stony Brook concurred with the full \$6,913 in questioned costs, as illustrated in Table 2.

¹³ NSF PAPPG 18-1, Part II, Chapter VIII, Section E.6. reminds grantees that the timing and amount of advance payments must be as close as is administratively practicable to the actual disbursements and notes that grantees must promptly reimburse NSF for all excess funds drawn.

Table 2. Travel Advance Not Promptly Returned

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			Stony Brook Agreed to Reimburse
			Direct	Indirect	Total	
March 2020 Travel Advance	██████████	2020	\$4,586	\$2,327	\$6,913	\$6,913
Total			<u>\$4,586</u>	<u>\$2,327</u>	<u>\$6,913</u>	<u>\$6,913</u>

Source: Auditor summary of identified exception.

Recommendations

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

1. Direct Stony Brook to provide documentation supporting that it has repaid or otherwise credited the \$6,913 in questioned travel costs for which it has agreed to reimburse NSF.
2. Direct Stony Brook to provide additional guidance to ensure personnel reimburse NSF timely for cash drawn down for unused travel advances.

Stony Brook Response: Stony Brook agreed with this finding, stating that it reimbursed NSF for the \$6,913 in questioned costs and that it would strengthen its monitoring processes surrounding travel advances to ensure it processes unused travel advances in a timely manner.

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

Finding 3: Inappropriately Allocated Expenses

Stony Brook did not always allocate expenses to NSF awards based on the relative benefits the award received, as required by Federal regulations¹⁴ and the NSF PAPPG.¹⁵ Specifically:

- In June 2020, Stony Brook charged NSF Award No. ██████████ for \$3,898 in airfare purchased to allow the PI to travel to ██████████ to perform ██████████ work at the ██████████. As a result of our audit, Stony Brook determined that the flight “was placed on the wrong award due to admin oversight” and processed a cost transfer to move the airfare expense to NSF Award No. ██████████ in January 2021.¹⁶

¹⁴ According to 2 CFR §200.405 (a), a cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

¹⁵ NSF PAPPG 17-1, Part II, Chapter X, Section A states 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.

¹⁶ See the *Area for Improvement: Monitoring of Travel Credits* in Section III of this report for additional details.

- *Stony Brook agreed to reimburse NSF for these expenses.*

Stony Brook did not have sufficient monitoring procedures in place to ensure that it consistently allocated travel costs to sponsored awards based on the relative benefits that the awards receive. As a result, Stony Brook was not aware that it had charged this cost to NSF Award No. [REDACTED] due to an administrative error until the expense was selected during our audit. We are therefore questioning \$3,898 of inappropriately allocated expenses charged to one NSF award. Stony Brook concurred with the full \$3,898 in questioned costs, as illustrated in Table 3.

Table 3. Inappropriately Allocated Expenses

Description	NSF Award No.	Fiscal Year(s)	Questioned Costs			Stony Brook Agreed to Reimburse
			Direct	Indirect	Total	
June 2020 Airfare	[REDACTED]	2020	\$2,901	\$997	\$3,898	\$3,898
Total			<u>\$2,901</u>	<u>\$997</u>	<u>\$3,898</u>	<u>\$3,898</u>

Source: Auditor summary of identified exception.

Recommendations

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

1. Direct Stony Brook to provide documentation supporting that it has repaid or otherwise credited the \$3,898 in questioned travel costs for which it has agreed to reimburse NSF.
2. Direct Stony Brook to strengthen its monitoring procedures and internal controls surrounding the allocation of travel expenses to sponsored projects. Processes could include reviewing and assessing the allocation of all travel expenses charged to NSF awards.

Stony Brook Response: Although Stony Brook agreed that it had inappropriately charged these costs to NSF Award No. [REDACTED] and noted that it has already reimbursed NSF for the questioned costs, it disagreed that its monitoring procedures are not sufficient to ensure that it allocates costs appropriately. Specifically, Stony Brook noted that it reviews all research expenditures that PIs submit before processing the expenditures; in addition, PIs must monitor award expenditures and are required to request and justify cost transfers to resolve all errors identified. Further, Stony Brook stated that the cost transfer was fully justified and approved based on the request from the PI and his administrative team.

Auditors’ Additional Comments: Our position regarding this finding has not changed. Specifically, although the cost transfer was appropriately justified and approved, because Stony Brook did not process the transfer until it reviewed the allowability of the original expense in response to our audit, its current procedures do not appear to have been sufficient to ensure it always appropriately allocates travel expenses to NSF awards.

Finding 4: Indirect Costs Inappropriately Applied Using Blended Rates

Stony Brook inappropriately applied a blended indirect cost rate to direct expenses accumulated on 11 sampled NSF awards. For each of these awards, Stony Brook proposed and applied a blended rate calculated using the on-campus and off-campus indirect cost rates included in the Negotiated Indirect Cost Rate Agreement (NICRA) that was in effect as of the date it submitted the proposals to NSF. Specifically, Stony Brook used estimated on-campus and off-campus percentages to calculate blended rates that it applied to direct expenses charged to at least 11 NSF awards, as illustrated in Table 4.

Table 4: Indirect Costs Inappropriately Applied Using Blended Rates

NSF Award No.	On-Campus Rate (A)	On-Campus Percentage (B)	Off-Campus Rate (C)	Off-Campus Percentage (D)	Blended Rate (A*B)+(C*D)
	58.00%	25.00%	26.00%	75.00%	34.00%
	58.00%	50.00%	26.00%	50.00%	42.00%
	59.00%	75.00%	26.00%	25.00%	50.75%
	59.50%	25.00%	26.00%	75.00%	34.38%
	58.00%	25.00%	26.00%	75.00%	34.00%
	59.50%	50.00%	26.00%	50.00%	42.75%
	59.00%	75.00%	26.00%	25.00%	50.75%
	59.00%	75.00%	26.00%	25.00%	50.75%
	59.50%	50.00%	26.00%	50.00%	42.75%
	59.50%	75.00%	26.00%	25.00%	51.13%
	59.50%	50.00%	26.00%	50.00%	42.75%

Source: Auditor summary of proposed indirect cost rates.

When preparing NSF proposal budgets, Stony Brook estimates the percentages of the work that personnel will perform on-campus and off-campus and uses those estimates to produce a blended rate that it applies to all grant expenses, to avoid having to separately track on-campus and off-campus activities. Although Stony Brook included these rates in the approved NSF budgets, it should have tracked on-campus and off-campus activities separately and applied the appropriate on-campus or off-campus rate(s) to expenses based on where the activities took place, in accordance with Stony Brook’s NICRA,¹⁷ and as required by Federal regulations¹⁸ and NSF PAPPGs.¹⁹ Because Stony Brook did not specifically track its on-campus and off-campus activities, we are unable to determine whether NSF was over- or under-charged for indirect costs during the audit period. However, we did note a compliance finding as Stony Brook’s current methodology does not comply with Federal regulations and results in Stony Brook overcharging NSF for indirect costs when personnel perform more off-campus work and undercharging NSF for indirect costs when personnel perform more on-campus work.

¹⁷ Per the NICRAs for the State University of New York (SUNY) Research Foundation and SUNY at Stony Brook, actual costs must be apportioned between on-campus and off-campus components, and each portion must bear the appropriate rate.

¹⁸ According to 2 CFR 200, Appendix III, Section C.7, Federal agencies must use the negotiated rates for indirect (F&A) costs in effect at the time of the initial award throughout the life of the sponsored agreement.

¹⁹ Per NSF PAPPGs 17-1, 18-1, 19-1, and 20-1, Part I, Chapter II, Section C.2.g.(viii), grantees must use the applicable U.S. federally negotiated indirect cost rate(s) in computing indirect costs (F&A).

Recommendations

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

1. Direct Stony Brook to separately track its on-campus and off-campus activities so that it can appropriately apply the approved on-campus and off-campus indirect cost rates.
2. Direct Stony Brook to update its current budget proposal process to eliminate the use of blended indirect cost rates.

Stony Brook Response: Stony Brook disagreed with this finding, stating that its current methodology does not impact its indirect cost recovery, as Stony Brook takes the blended rates into consideration when proposing rates for its NICRA. Further, Stony Brook noted that it has consistently used blended rates for more than 30 years and that NSF has never questioned or disallowed these rates, which Stony Brook discusses in all its research proposal budgets.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, because Stony Brook's NICRA did not include the blended rates it applied to the NSF awards and did not include any indication that the use of blended rates is appropriate, and because this methodology could cause Stony Brook to over- or under-charge NSF for indirect costs, the use of a blended rate is not allowable.

Finding 5: Incorrect Application of Proposed Indirect Costs

Stony Brook's methodology for charging indirect costs consistent with the NSF award budget does not always result in it claiming indirect costs using the rate(s) included in the NICRA in effect as of the date of the award, as required by Federal regulations²⁰ and NSF PAPPGs.²¹ Specifically:

Inappropriately Applied Proposed Indirect Cost Rates

Although Stony Brook stated that it applies the indirect cost rate in effect at the time of the award, we identified seven awards on which Stony Brook applied indirect costs using the NICRA rate included within the award proposal, as illustrated in Table 5.

²⁰ According to 2 CFR 220, Appendix A, Section G.7.a. and 2 CFR 200, Appendix III, Section C.7, Federal agencies must use the negotiated rates for F&A costs in effect at the time of the initial award throughout the life of the sponsored agreement.

²¹ NSF also requires Institutions of Higher Education to use the negotiated indirect cost rate in effect as of the date of the award throughout the life of the award. See NSF PAPPGs 14-1, 16-1, 17-1, 18-1, 19-1, and 20-1, Part I, Chapter II, Section C.2.g.(viii).

Table 5. Inappropriately Applied Proposed Indirect Cost Rates

NSF Award No.	Award Date	Applied Rate	Appropriate Rate ²²
██████████	2/22/2018	50.75%*	51.13%*
██████████	2/20/2018	50.75%*	51.13%*
██████████	8/4/2017	34.00%*	34.38%*
██████████	9/20/2016	42.00%*	42.75%*
██████████	2/17/2017	34.00%*	34.38%*
██████████	9/7/2016	58.00%	59.50%
██████████	6/30/2017	50.75%*	51.13%*

*Stony Brook inappropriately used blended rates, as summarized in Finding 4.

Source: Auditor summary of identified exceptions.

Budget Caps Inappropriately Established Based on Proposed Indirect Costs

Stony Brook establishes indirect cost rate budget caps that can prevent it from appropriately claiming indirect costs. Specifically:

- In January 2020, Stony Brook did not appropriately apply its indirect cost rate to travel costs²³ charged to NSF Award No. ██████████ because it had already charged the award for \$499,603 in indirect costs, which was the total amount it had budgeted for indirect costs under that award. As a result, the indirect costs that Stony Brook applied to NSF Award No. ██████████ are not consistent with the indirect costs that it should have applied based on the applicable NICRA rate.

Further, Stony Brook noted that if NSF awarded it a grant with a proposed indirect cost rate that was lower than the applicable NICRA rate at the time the grant was awarded, Stony Brook may apply the appropriate NICRA rate when setting up the award. However, Stony Brook noted that it would only claim indirect costs up to the dollar amount included for indirect costs within the original budget, which was calculated based on the lower proposed rate. Accordingly, even if Stony Brook applies the appropriate rate to individual transactions, it may still under-apply the total indirect costs.

Stony Brook does not have appropriate policies and procedures or internal controls in place to ensure it appropriately applies indirect costs to NSF awards. Specifically, because Stony Brook wants to avoid negatively impacting the direct costs available for NSF projects, it does not always appropriately apply indirect costs to NSF awards. As a result, Stony Brook applied inappropriate indirect cost rates to direct expenses accumulated on at least eight NSF awards.

²² To calculate the appropriate blended rates (see Finding 4), we identified the on-campus and off-campus rates that Stony Brook should have used based on each grant’s award date and used the on-campus and off-campus percentages that Stony Brook used to calculate the blended rates included in its proposals.

²³ Stony Brook’s NICRAs support that it applies its indirect cost rates to a modified total direct cost base that consists of all salaries and wages, fringe benefits, materials, supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract.

Recommendations

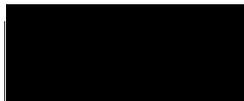
We recommend that NSF’s Director of the Division of Institution and Award Support:

1. Direct Stony Brook 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 proposal.
2. Direct Stony Brook to update its current award set-up practices to remove the establishment of indirect cost budget caps.

Stony Brook Response: Stony Brook disagreed with this finding, stating that it recovers indirect costs at a rate that is consistent with the NICRA rate in effect at the time of the expense and that it performs reconciliations to ensure it applies its indirect cost rate to expenditures at the correct rate, not to exceed the agreed-upon budget. Further, Stony Brook stated that any unrecovered indirect costs resulting from incremental indirect cost rate increases do not represent a violation of NSF cost-sharing rules, as Stony Brook did not pledge or include voluntary commitments resulting from waived indirect costs in its proposals to NSF.

Auditors’ Additional Comments: Our position regarding this finding has not changed. Specifically, although Stony Brook contends that its use of budgeted indirect cost amounts is allowable because it does not violate NSF cost-sharing rules, 2 Code of Federal Regulations (CFR) § 200, Appendix III, C.7, states that Federal agencies **must** [emphasis added] use the negotiated rates in effect at the time of the initial award throughout the life of the award. Further, for proposals accepted and awarded after January 30, 2017, NSF PAPPGs²⁴ specifically state that the “use of an indirect cost rate lower than the organization’s current negotiated indirect cost rate is considered a violation of NSF’s cost sharing policy.”

COTTON & COMPANY LLP



Megan Mesko, CPA, CFE
Partner
May 14, 2021

²⁴ This language initially appeared in NSF PAPPG 17-1, Part I, Chapter II, Section C.2 (g) (viii) and is included in the same location in NSF PAPPGs 18-1, 19-1, and 20-1.

**APPENDIX A: STATE UNIVERSITY OF NEW YORK AT STONY BROOK'S IMPLEMENTATION OF
OMB AND NSF'S COVID-19 FLEXIBILITIES**

STATE UNIVERSITY OF NEW YORK AT STONY BROOK’S IMPLEMENTATION OF OMB AND NSF’S COVID-19 FLEXIBILITIES

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee’s Implementation of the Flexibilities?
M-20-17	1. Flexibility with SAM registration	No	Not Applicable. As the State University of New York at Stony Brook’s (Stony Brook’s) System of Award Management (SAM) registration does not expire until October 8, 2021, it did not need to use this flexibility.
	2. Flexibility with application deadlines	No	Not Applicable. Stony Brook stated that it did not implement this flexibility; however, it did state that it notified principal investigators (PIs) of the flexibility through campus updates.
	3. Waiver for Notice of Funding Opportunities (NOFOs) publication	No	Not Applicable. This flexibility is not applicable to NSF awards.
	4. No-cost extensions on expiring awards	No	Not Applicable. Stony Brook stated that it did not implement this flexibility. Stony Brook noted that it ran a comparison report between the 7-month period of the audit and the same time period one year prior and did not see an increase in no-cost extensions requested. In addition, Stony Brook personnel stated that Stony Brook’s procedures for monitoring no-cost extensions have not changed from the standard policy and procedures that it had in place prior to the pandemic.
	5. Abbreviated non-competitive continuation requests	No	Not Applicable. Stony Brook did not make any non-competitive continuation requests.
	6. Allowability of salaries and other project activities	Yes	<p>No Exceptions Noted. Stony Brook indicated that it had implemented this flexibility and issued a new policy called <i>Continuation of Salaries and Fringe Under Unexpected or Extraordinary Circumstances</i>. However, Stony Brook stated that it was not aware of any instances in which it had charged NSF awards for idle time resulting from the COVID-19 pandemic. Specifically, Stony Brook stated that it implemented an account code to track salary costs associated with the time employees were unable to work due to COVID-19 (i.e., continuation salary) when it implemented its new policy, and that any salaries charged directly to an award would therefore have related to work performed to benefit the project. Because Stony Brook paid the continuation salary using other funding it received related to COVID-19, our limited testing did not identify any instances in which Stony Brook charged idle salary expenses directly to NSF awards.</p> <p>Although Stony Brook does not appear to have charged idle salary expenses directly to NSF awards, it did note that it provided all of its employees with an additional 22 days of sick leave in response to the pandemic, consistent with New York State’s (NYS’s) Paid Emergency Sick Leave policy. As a result, if an employee’s normal assignment was funded in whole or in part by an NSF award, Stony Brook could have directly charged the NSF award for costs associated with up to 176 hours of sick leave for that employee. Because</p>

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee’s Implementation of the Flexibilities?
			the methodology Stony Brook used to provide these benefits appears to be reasonable and consistent with NYS’s emergency sick leave policy, and because our limited testing did not identify any expenses related to salary earned while an employee was unable to perform research under an NSF award, we noted no exceptions with regard to Stony Brook’s implementation of this flexibility.
	7. Allowability of costs not normally chargeable to awards	Yes	No Exceptions Noted. Stony Brook stated that it relied on individual travelers to cancel trips and request refunds/credits when possible, and that travel expenses associated with cancelled trips for which travelers did not receive refunds would remain charged to the original funding source identified for the travel expenses. In addition, although Stony Brook stated that its personnel did not charge most personal protective equipment (PPE) directly to sponsored projects, it did note that personnel may have charged small amounts of PPE to awards, if the PI determined that the PPE benefited a specific NSF award. As a result, we determined that Stony Brook charged NSF for costs associated with cancelled travel and other COVID-19-related expenses that would not typically be chargeable to NSF awards, but that appeared to be allowable under the OMB flexibilities. Although our sample testing did not identify any instances in which Stony Brook’s use of this flexibility appeared to be unreasonable, we did note an area for improvement regarding Stony Brook’s current procedures for tracking travel credits, as these procedures could result in personnel not appropriately allocating or crediting travel costs to NSF awards.
	8. Prior approval requirement waivers	No	Not Applicable. Stony Brook stated that it did not implement this flexibility; however, it did state that it notified PIs of the flexibility through campus updates. Although we did identify instances in which Stony Brook processed internal rebudgeting requests to use funding requested for travel to purchase equipment instead, because Stony Brook had the authority to rebudget travel funding prior to the implementation of the OMB flexibilities, we did not note these instances as a use of the flexibility.
	9. Exemption of certain procurement requirements	No	Not Applicable. Stony Brook stated that it did not implement this flexibility; however, it did state that it notified PIs of the flexibility through campus updates.
	10. Extension of financial, performance, and other reporting	Yes	No Exceptions Noted. Stony Brook stated that it notified PIs of the flexibility through campus updates; however, Stony Brook did not make any requests to extend final project reports and project outcome reports. Further, NSF waived the requirement to execute the annual inventory reporting for federally owned property; however, Stony Brook continued to perform this reporting, as it has a two-year rolling inventory check in place. Stony Brook noted that it did not identify any concerns with regard to the inventory report. Our equipment testing did not identify any exceptions specific to unaccounted-for equipment inventory.
	11. Extension of currently approved indirect cost rates	Yes	No Exceptions Noted. Stony Brook requested and received an extension to its Negotiated Indirect Cost Rate Agreement (NICRA), approved by the Department of Health and

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee's Implementation of the Flexibilities?
			Human Services (DHHS). During our testing, we confirmed that Stony Brook continued to apply its provisional rate until DHHS approved the updated rate.
	12. Extension of closeout	No	Not Applicable. Stony Brook stated that it did not implement this flexibility; however, it did state that it notified the PIs of the flexibility through campus updates.
	13. Extension of Single Audit submission	No	Not Applicable. Stony Brook did not request or receive an extension related to the submission of its Single Audit. Stony Brook noted that it did not need the extension for Single Audits not submitted as of March 19, 2020 (with a normal due date of March 30, 2020, for the year ending June 30, 2019), as it submitted its Single Audit for the year ending June 30, 2019, on February 18, 2020.
M-20-20	1. Donations of medical equipment and other resources purchased/ funded under Federal financial assistance in support the COVID-19 response	Yes	No Exceptions Noted. Stony Brook stated that it notified its PIs of this flexibility through campus updates. Stony Brook noted that it donated materials and supplies to the university hospital, but that it would only have donated supplies that were generally available in its labs. It further noted that, although it could try to work with the School of Medicine and the university hospital to identify all the materials donated, it would likely be unable to determine whether personnel had used Federal funds to purchase the donated supplies. Because our testing of other direct costs and materials and supplies did not reveal any instances in which Stony Brook repurposed Federal funding to support the COVID-19 pandemic, and because grantees generally do not purchase PPE for use on NSF awards, we did not note an issue with regard to Stony Brook's implementation of this policy for NSF awards.
M-20-26	1. Extension of allowability of salaries and other project activities through September 30, 2020	Yes	<p>No Exceptions Noted. Stony Brook indicated that it had implemented this flexibility and issued a new policy called <i>Continuation of Salaries and Fringe Under Unexpected or Extraordinary Circumstances</i>. However, Stony Brook stated that it was not aware of any instances in which it had charged NSF awards for idle time resulting from the COVID-19 pandemic. Specifically, Stony Brook stated that it implemented an account code to track salary costs associated with the time employees were unable to work due to COVID-19 (i.e., continuation salary) when it implemented its new policy, and so any salaries charged directly to an award would have related to work performed to benefit the project. Because Stony Brook paid the continuation salary using other funding it received related to COVID-19, our limited testing did not identify any instances in which Stony Brook charged idle salary expenses directly to NSF awards.</p> <p>Although Stony Brook does not appear to have charged idle salary expenses directly to NSF awards, it did note that it provided all of its employees with an additional 22 days of sick leave in response to the pandemic, consistent with New York State's (NYS's) Paid Emergency Sick Leave policy. As a result, if an employee's normal assignment was funded</p>

OMB Memo	Flexibility Granted	Flexibility Implemented per Awardee?	Exception(s) Identified with the Awardee's Implementation of the Flexibilities?
			<p>in whole or in part by an NSF award, Stony Brook could have directly charged the NSF award for costs associated with up to 176 hours of sick leave for that employee. Because the methodology Stony Brook used to provide these benefits appears to be reasonable and consistent with NYS's emergency sick leave policy, and because our limited testing did not identify any expenses related to salary earned while an employee was unable to perform research under an NSF award, we noted no exceptions with regard to Stony Brook's implementation of this flexibility.</p>
	<p>2. Extension of Single Audit submission and COVID-19 emergency acts fund reporting through December 31, 2020</p>	<p>No</p>	<p>Not Applicable. Stony Brook did not request or receive an extension related to the submission of its Single Audit. Stony Brook noted that it did not need the extension for Single Audits not submitted as of March 19, 2020 (with a normal due date of March 30, 2020, for year ending June 30, 2019), as it submitted its Single Audit for the year ending June 30, 2019, on February 18, 2020.</p>

**APPENDIX B: STATE UNIVERSITY OF NEW YORK AT STONY BROOK'S OMB FLEXIBILITY
SURVEY RESPONSE**

STATE UNIVERSITY OF NEW YORK AT STONY BROOK'S OMB FLEXIBILITY SURVEY RESPONSE

Question No.	During the COVID-19 Pandemic, has your organization...	Awardee Response
1	Issued any subawards to grantees with expired SAM.gov registrations?	No
2	Rescinded and resubmitted grant proposals as a result of extended proposal deadlines?	No
3	Made any changes to its ACMS\$ draw-down methodology?	No
4	Submitted more no-cost extension requests than it typically does in an average 6-month period?	No
5	Established a new policy for charging salaries to projects during unexpected or extraordinary circumstances?	Yes
6	Allowed salaries, stipends, and benefits to continue to be charged even if the personnel were unable to conduct the research?	Yes
7	Allowed researchers to continue to perform on-campus research?	Yes
8	Allowed researchers to perform sponsored research off-campus?	Yes
9	Allowed personnel to perform research during the academic year that would typically be performed during a summer month?	No
10	Issued any additional guidance regarding how employees should track or certify effort while the campus was closed?	Yes
11	Issued any guidance limiting an employee's ability to book NSF sponsored travel?	Yes
12	Required students and/or employees to cancel previously planned trips?	Yes
13	Established a new policy for charging costs associated with the cancellation of events or travel?	Yes
14	Received any travel credits that related to airfare, lodging, or other travel expenses charged to NSF funding sources?	No
15	Hosted any on-campus NSF Research Experience for Undergraduate (REU) programs/activities?	No
16	Been required to cancel or re-schedule any NSF REU programs/activities?	Yes
17	Been required to adapt previously planned NSF REU programs/activities to a virtual format?	Yes
18	Been required to quarantine any students scheduled to participate in an NSF REU program?	No
19	Been required to cancel or re-schedule any non-REU NSF sponsored on-campus events?	No
20	Used NSF funding to sponsor virtual conferences or other virtual events/programs?	No
21	Been required to incur any unusual travel costs to ensure students/employees were able to return to the U.S. after performing NSF sponsored travel (such as extended travel times due to lack of flight availability/quarantine requirements, or costs incurred to charter an aircraft)?	No
22	Used NSF funding to purchase COVID-19 related goods/services (such as PPE, cleaning services, etc.) to allow students/employees to continue performing research?	Yes
23	Changed the scope or objectives of any of the research being performed on any of your NSF Awards?	Yes
24	Rebudgeted any NSF award participant support cost funding?	No
25	Issued any additional subaward agreements to perform NSF Award research?	No
26	Allowed employees to incur costs greater than 90 days before an NSF grant became effective?	No
27	Issued any guidance regarding authority to rebudget funding during the Pandemic?	Yes
28	Made any changes to its procurement policies or procedures?	No
29	Used NSF funding to purchase equipment?	Yes
30	Continued to perform annual inventory reporting?	Yes
31	Applied indirect costs using a provisional negotiated indirect cost rate?	No
32	Made any changes to the manner in which it identifies and classifies direct/indirect costs?	No
33	Implemented any additional flexibilities related to submitting final project reports or other grant close-out procedures as a result of COVID?	No
34	Issued any subawards to grantees performing research on NSF sponsored awards who did not have a Single Audit Report published for the most recent audit year?	No
35	Used NSF funding to purchase COVID-19 related goods/services (such as PPE, cleaning services, etc.) that were donated to hospitals, medical centers, and/or other local entities serving the public for COVID-19 response?	Yes
36	Donated any medical equipment purchased with NSF funds prior to March 2020 to hospitals, medical centers, and/or other local entities serving the public for COVID-19 response?	No

Question No.	During the COVID-19 Pandemic, has your organization...	Awardee Response
37	Received a Paycheck Protection Program loan or any Coronavirus Aid, Relief, and Economic Security (CARES) Act program funding?	No
38	Provided any guidance to subawardees regarding how personnel costs can/should be billed during the Pandemic?	No
39	Identified and exhausted all non-Federal funding sources to sustain your workforce before claiming costs for salaries that did not directly benefit NSF awards?	Yes
40	Implemented any steps to save overall operational costs (such as rent renegotiations)?	No
41	Implemented any changes in response to the updated solicitation guidance included in NSF 18-515, 18-584, 20-545, 20-546, or 20-562?	Yes
42	Received any NSF awards to perform research that involves human-subjects prior to receiving Institutional Review Board (IRB) approval?	No
43	Received any NSF awards to perform research that involves vertebrate animals prior to receiving approval from an Institutional Animal Care and Use Committee (IACUC)?	No
44	Operated an NSF sponsored Major Facility?	Yes
45	Allowed any Principal Investigators to disengage from an NSF Award for more than 3 months?	No
46	Changed the cost-sharing requirements previously established for any NSF awards?	No
47	Encumbered any real property with Federal funds?	No
48	Provided resources or oversight of any NSF Small Business Innovation Research Program (SBIR) or Small Business Technology Transfer (STTR) Awards?	Yes

Question No.	During the COVID-19 Pandemic, has your organization used NSF Funding to cover...?	Response
49	Expenses associated with fines, penalties, or other damages?	No
50	Fund-raising expenses?	No
51	Costs of housing (e.g. depreciation, maintenance, utilities, furnishings, rent), housing allowances or personal living expenses?	No
52	Insurance or indemnification expenses?	No
53	Costs of memberships in civic or community organizations?	No
54	Costs associated with selling and marketing (other than costs allowed under 2 CFR §200.421 Advertising and public relations)?	No
55	Dependent care costs for trips greater than 6 months?	No
56	Costs of entertainment, amusement, diversion or social activities (with programmatic purpose)?	No
57	Severance payments to foreign nationals that exceed the amounts customary in the US?	No
58	Salary earned at a rate higher than an employee's established institutional base salary?	No
59	Unbudgeted administrative salary costs?	No
60	Costs incurred to purchase real property or to perform construction activities related to improving capital assets?	No
61	Costs incurred to allow employees to perform research or otherwise work from home?	Yes

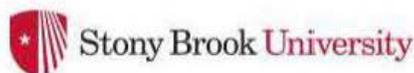
APPENDIX C: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0420F0622
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
STATE UNIVERSITY OF NEW YORK AT STONY BROOK

SCHEDULE OF QUESTIONED COSTS BY FINDING

Finding	Description	Questioned Costs		Total
		<i>Unsupported</i>	<i>Unallowable</i>	
1	Inappropriate Award Cash Management Service Drawdowns	\$20,530	\$0	\$20,530
2	Travel Advance Not Promptly Returned	0	6,913	6,913
3	Inappropriately Allocated Expenses	0	3,898	3,898
4	Indirect Costs Inappropriately Applied Using Blended Rates	0	0	0
5	Incorrect Application of Proposed Indirect Costs	0	0	0
Total		<u>\$20,530</u>	<u>\$10,811</u>	<u>\$31,341</u>

APPENDIX D: STATE UNIVERSITY OF NEW YORK AT STONY BROOK'S RESPONSE



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April 23, 2021

Megan Mesko, CPA, CFE
 Partner
 John Carlyle Street, Suite 500
 Alexandria, VA 22314

Re: RE: Performance Audit of the Implementation of the Office of Management and Budget Coronavirus 2019 Flexibilities

Dear Ms. Mesko,

The State University of New York at Stony Brook University (SBU) has reviewed the draft audit report issued by Cotton and Company, LLP on behalf of the National Science Foundation (NSF).

SBU's formal response to each audit finding follows. Although there are a few findings resulting from this audit process, we are confident that our sponsored award management controls meet the Federal and NSF regulations and NSF award terms and conditions, and SBU policy and procedures.

Finding 1: Inappropriate Award Cash Management Services Drawdown-

SBU contends that OMB and NSF policies do not require advance payments based on actual amounts. Instead, it requires the timing of advances to be as close as administratively feasible to the actual disbursements. Under expiring appropriations, NSF has identified an immediate need for grantees to draw down canceling funds to meet allowable project costs through the appropriation end date.

A Division of Financial Management directive dated June 26, 2020, stated, "Your institution may incur allowable costs against funds that will cancel through the award end date or September 30, 2020, whichever comes first... excess funds drawn should be returned to NSF as soon as practicable."

Based on this directive, it is clear that NSF recognized that institutions may incur allowable costs against expiring funds up to date of fund expiration (9/30/2020) and that the amount to draw down may not be actual amounts, as it is understood that excess funds could be drawn but should be returned to NSF as soon as practicable. Soon as practicable under RF policy and procedures would follow proper award closeout.



Attached SBU provides evidence of returned payments. Additionally, SBU in conjunction with the Research Foundation Corporate Office, has already implemented a monthly reconciliation process for NSF ACMS activity to identify any discrepancies between NSF ACMS and RF's Business System (Oracle), including but not limited to; overdrawn funding to ensure drawdowns continue to be based on immediate cash need.

Finding 2: Travel Advance Not Promptly Returned

SBU provides documentation of credit and agrees to strengthen monitoring processes for timely cancellation of travel advance payments when anticipated travel is interrupted or canceled unexpectedly to ensure timely credit to the NSF for cancellation of cost.

Finding 3: Inappropriately Allocated Expenses

SBU disagrees with the conclusion that it lacks sufficient monitoring procedures to ensure that costs are consistently allocated.

All research expenditures that Principal Investigators submit are reviewed prior to execution for allocability against the awards requested.

In addition, and keeping with OMB 2CFR 200.405, Principal Investigators must monitor award expenditures and are required to request and justify cost transfers to resolve all identified errors. This particular cost transfer was fully justified and approved based on the request from the Principal Investigator and his administrative team.

Current SBU practices include a review and assessment of allocability of presented cost and include the expectation that Principal Investigators will make necessary notifications to authorize corrections when it is determined that initial requests need to be revised based on project needs or to correct administrative errors.

SBU provides evidence of this cost credit based on the approved cost transfer.

Finding 4: Indirect Costs Inappropriately Applied Using Blended Rates

For greater than 30 years, SBU has employed the practice of utilizing blended on/off indirect cost rates to assign costs based on the identified location of research effort and activity. These costs are illustrated in all research proposal budgets with clear explanations of how the blended rate addresses the split time and location and allocation of research activity. The NSF makes corresponding awards based on these disclosed allocations and has never questioned or disallowed this methodology.

Additionally, the negotiated and approved F&A proposal is prepared with consideration for how SBU assigns the blended rates so that there is no impact on F&A recovery. The rates are calculated and applied consistently.

Finding 5: Incorrect Application of Proposed Indirect Cost Rates

SBU confirms that all indirect costs are recovered in keeping with NICRA rate in effect at the time of expense. Rates are modified within the life award to coincide with annual rate changes outlined in the NICRA, allowing incremental increases throughout the award. Stony Brook performs a true-up reconciliation to ensure expenditures are applied at the correct rate, however, not to exceed the agreed budget.

As stipulated in 2 CFR § 200.99, "Voluntary committed cost sharing means cost sharing specifically pledged on a voluntary basis in the proposal's budget or the Federal award on the part of the non-Federal entity and that becomes a binding requirement of Federal award."

Unless required by NSF, the inclusion of voluntary committed cost sharing is prohibited. It should be understood that any amounts of un-recovered indirect costs for SBU resulting from incremental indirect cost increases from what was in effect at time of award do not represent a violation of NSF cost share rules, since voluntary commitments due to waived F&A was not pledged or included in the proposal to NSF.

NSF PAPPG Chapter II further states, While not required by NSF, the grantee may, at its own discretion, continue to contribute voluntary uncommitted cost sharing to NSF-sponsored projects. As noted above, however, these resources are not auditable by NSF and should not be included in the proposal budget or budget justification.

In closing, we would like to express appreciation to you and your team for the collaborative tone and professionalism exhibited throughout the audit process.

Sincerely,



Sheila Routh
Sr Director, Office of Grants Management
Office of the Vice President for Research
The Research Foundation for the State University of New York
Stony Brook University



Dr. Richard J. Reeder
Vice President for Research
Office of the Vice President for Research
The Research Foundation for the State University of New York
Stony Brook University

APPENDIX E: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES, SCOPE, AND METHODOLOGY

The NSF OIG Office of Audits engaged Cotton & Company LLP (referred to as “we”) to conduct a limited-scope performance audit, the objective of which was to determine whether Stony Brook used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether Stony Brook was complying with the associated guidelines.

To complete this limited-scope performance audit, we performed the following steps, as outlined within our NSF OIG-approved audit plan:

- Gained an understanding of the audit requirements, which included developing an audit program that ensured the audit team would complete all the steps outlined in the approved audit plan.
 - This included determining whether internal controls and/or information systems were significant to the audit objectives.
- Gained an understanding of applicable Federal²⁵ and NSF criteria,²⁶ including the following guidance that OMB and NSF published in response to the COVID-19 pandemic:
 - [M-20-17 Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#)
 - [NSF Implementation of OMB Memorandum M-20-17](#)
 - [M-20-20 Repurposing Existing Federal Financial Assistance Programs and Awards to Support the Emergency Response to the Novel Coronavirus \(COVID-19\)](#)
 - [NSF Implementation of OMB Memorandum M-20-20](#)
 - [M-20-26 Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus \(COVID-19\) due to Loss of Operations](#)
 - [NSF Implementation of OMB Memorandum M-20-26](#)
 - [Important Notice No. 146 - NSF Letter to Community Regarding COVID-19](#)
 - [Impact on Existing Deadline Dates](#)
 - [Impact on Solicitations](#)
 - [NSF Guidance on the Effects of COVID-19 on Human Subjects Research](#)
 - [NSF Guidance on the Effects of COVID-19 on Vertebrate Animal Research](#)
 - [NSF Guidance for Major Facilities and Contracts Regarding COVID-19](#)
 - [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF Proposers and Awardees](#)

²⁵ We assessed Stony Brook’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* (OMB 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* (OMB Circular A-110), as appropriate.

²⁶ We assessed Stony Brook’s compliance with *NSF PAPPGs* 13-1, 14-1, 15-1, 16-1, 17-1, 18-1, 19-1, and 20-1 and with NSF award-specific terms and conditions, as appropriate.

- [FAQS About the Coronavirus Disease 2019 \(COVID-19\) for NSF SBIR and STTR Grantees](#)
- [FAQS About the Coronavirus Disease 2019 \(COVID-19\) for NSF Major Facility Cooperative Agreement Recipients](#)
- [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for REU Sites, RET Sites, IRES Sites, and Similar Activities](#)
- [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF Panelists](#)
 - In planning and performing this audit, we considered Stony Brook’s internal controls, within the audit’s scope, solely to understand whether the directives/policies and procedures Stony Brook has in place ensure charges against NSF awards comply with relevant Federal regulations and NSF award terms.
- Requested, obtained, and reviewed Stony Brook documentation to ensure we had sufficient, appropriate documentation to allow us to schedule applicable interviews and to select our audit sample.
 - Our work required us to rely on computer-processed data obtained from Stony Brook and NSF OIG. NSF OIG provided award data that Stony Brook reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that Stony Brook provided by (a) comparing the costs charged to NSF awards per Stony Brook’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that Stony Brook submitted to NSF during the audit’s period of performance; and (b) reviewing the parameters that Stony Brook used to extract transaction data from its accounting systems. We identified one finding related to discrepancies between the amounts supported by Stony Brook’s general ledger and the amounts that Stony Brook claimed per NSF’s ACM\$ system (see Finding 1); however, we found Stony Brook’s computer-processed data to be sufficiently reliable for the purposes of the audit, as Stony Brook was able to provide justification for all discrepancies identified.
 - 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 2020 found no reportable instances in which NSF’s financial management systems did not substantially comply with applicable requirements.
 - Stony Brook 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 \$21,015,891 in costs claimed on 252 NSF awards.

- Gained an understanding of whether and how Stony Brook implemented the OMB/NSF administrative flexibilities by:
 - Analyzing Stony Brook’s responses to the COVID-19 flexibility surveys included in **Appendix A** and **Appendix B**.
 - Summarizing all guidance, policies, and procedures that Stony Brook issued in response to the COVID-19 pandemic.
 - Conducting walkthroughs and interviews with Stony Brook staff to evaluate how Stony Brook implemented the flexibilities and how that implementation fit within Stony Brook’s overall grant management environment.
- Brainstormed and executed a series of data analytic tests aimed at identifying expenses that Stony Brook incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.
- Judgmentally selected 30 transactions to test based on the results of our data analytic tests, as approved by NSF OIG.
- Reviewed the supporting documentation that Stony Brook provided and requested additional documentation as necessary to ensure that we obtained sufficient, appropriate evidence to enable us to assess the allowability of each sampled transaction.
 - The goals of this testing included evaluating whether the sampled transactions related to Stony Brook’s implementation of the OMB/NSF flexibilities and whether the transactions were allowable, allocable, reasonable, and in conformity with applicable Federal guidance, NSF terms and conditions, and OMB/NSF flexibility guidelines.

At the conclusion of our fieldwork, we provided a summary of our results to NSF OIG personnel for review. We also provided a discussion draft report to Stony Brook personnel to ensure Stony Brook was aware of each potential finding and to provide Stony Brook with an opportunity to submit any additional documentation available 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.



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