

Performance Audit of the Implementation of OMB COVID-19 Flexibilities – Florida International University

REPORT PREPARED BY COTTON & COMPANY LLP

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

May 19, 2021
OIG 21-1-011





AT A GLANCE

Performance Audit of the Implementation of OMB COVID-19 Flexibilities –
Florida International University

Report No. OIG 21-1-011

May 19, 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 Florida International University (FIU) for the period March 1 to September 30, 2020. The auditors tested approximately \$208,000 of the more than \$12.4 million of costs claimed to NSF. The audit objective was to determine if FIU used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether FIU complied with the associated guidelines. See Appendix F for the audit's objective, scope, and methodology.

AUDIT RESULTS

The report highlights that there were no exceptions identified with FIU's use of the administrative flexibilities granted through NSF's implementation of OMB Memoranda M-20-17, M-20-20, and M-20-26, as detailed in Appendix A. Although the auditors did not identify any exceptions related to FIU's use of the COVID-19 flexibilities, they did identify one area in which FIU could improve its administration of flexibility-related expenses charged to NSF awards related to monitoring of travel credits. The auditors also identified concerns about FIU's compliance with certain Federal and NSF regulations, NSF award terms and conditions, and organizational policies not related to the COVID-19 flexibilities. The auditors questioned \$22,144 of costs claimed by FIU during the audit period. Specifically, the auditors identified \$15,419 in inappropriate Award Cash Management Service drawdowns and \$6,725 in unallowable expenses. The auditors also identified one compliance-related finding for which there were no questioned costs: incorrect application of unapproved fringe benefit rates. 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 three findings in the report with associated recommendations for NSF to resolve the questioned costs and to ensure FIU strengthens administrative and management controls.

AUDITEE RESPONSE

FIU partially agreed with the findings in the report. FIU's response is attached in its entirety as Appendix E.

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 19, 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. 21-1-011, Florida International University

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 Florida International University (FIU) for the period March 1 to September 30, 2020. The audit encompassed approximately \$208,000 of the more than \$12.4 million claimed to NSF during the period. The objective of the audit was to determine whether FIU used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether FIU complied with the associated guidelines. A full description of the audit's objective, scope, and methodology is attached to the report as Appendix F.

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 Jae Kim at 703.292.7100 or OIGpublicaffairs@nsf.gov.

Attachment

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**PERFORMANCE AUDIT OF
FLORIDA INTERNATIONAL UNIVERSITY'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 FLORIDA INTERNATIONAL UNIVERSITY’S
 IMPLEMENTATION OF THE OFFICE OF MANAGEMENT AND BUDGET
 CORONAVIRUS DISEASE 2019 FLEXIBILITIES**

I. BACKGROUND

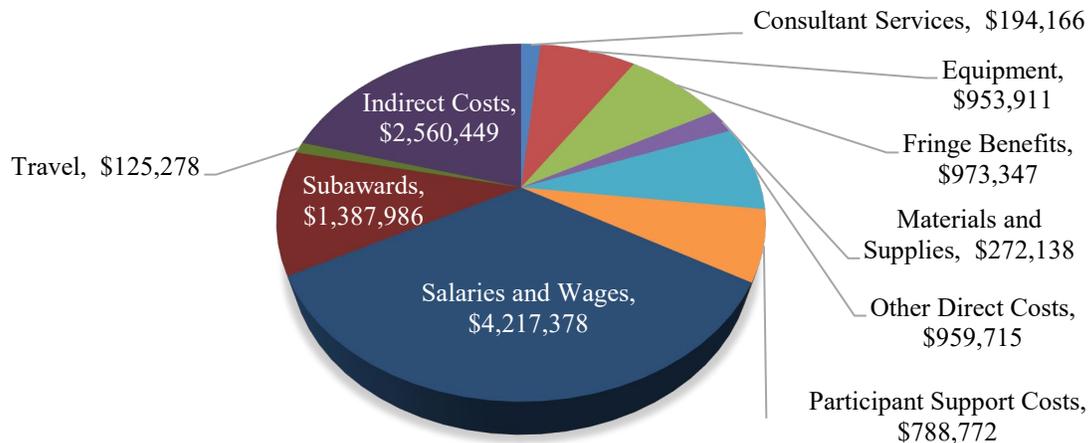
The National Science Foundation is an independent Federal agency created by Congress in 1950 “[t]o promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507).

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 F**).

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 Florida International University (FIU) implemented the administrative 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 \$12.4 million in expenses that FIU claimed on 154 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 FIU.

¹ The \$12,433,140 in award-related expenses reported in FIU’s GL was less than the \$12,541,534 reported in NSF’s Award Cash Management Service (ACMS); however, because FIU was able to provide justifications to support the discrepancies identified, with the exception of the three NSF awards identified in Finding 1, we determined that the GL data was appropriate for the purposes of this engagement.

This performance audit, conducted under Order No. 140D0420F0621, was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report (**Appendix F**) 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 FIU and NSF OIG. We included FIU's response to this report in its entirety in **Appendix E**.

II. AUDIT RESULTS

We did not identify any exceptions with regard to FIU'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 FIU's implementation of the COVID-19 flexibilities and did not identify any instances in which FIU did not comply with the associated guidelines, as summarized below.

FIU 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 FIU implemented these flexibilities, including how the implementation process fit within FIU's overall grant management environment, by conducting a series of interviews with FIU staff. Based on this understanding and FIU's responses to the OMB flexibilities survey included in **Appendix B**, we tailored our data analytics sampling approach to enable us to select 31 transactions that FIU incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.

We tested the 31 transactions sampled, which represented \$207,877² in costs that FIU charged to NSF awards during the audit period, and did not identify any examples where FIU used the COVID-19 flexibilities to charge the sampled expenses to the NSF awards. However, based on our interviews, we did note that FIU may have used the flexibilities that OMB granted and NSF implemented to charge costs that are not normally allowable to NSF awards, as follows:

- FIU allowed employees to temporarily augment their compensable work with up to 80 hours of time spent participating in professional development training courses between March 16 and May 16, 2020. As a result, FIU personnel may have charged NSF awards for salary costs associated with professional development activities, which are not typically allowable as direct costs.

Although FIU was unable to identify the expenses associated with the professional development activities,³ because it consistently applied its policy to all funding sources, consistent with the

² The \$207,877 represents the total value of the 31 transactions selected for transaction-based testing. It does not represent the dollar base of the total costs reviewed during the audit.

³ FIU did not require employees to track professional development activities separately from grant-related activities.

requirements of flexibility 6 of OMB Memorandum M-20-17,⁴ we did not note an exception with regard to FIU's use of this flexibility.

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

- Monitoring of travel credits.

We also determined that FIU 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 \$22,144 of direct and indirect costs that FIU inappropriately claimed during the audit period, including:

- \$15,419 in inappropriate Award Cash Management Service (ACMS) drawdowns.
- \$6,725 in unallowable expenses.

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

- Incorrect application of unapproved fringe benefit rates.

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

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 FIU'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, FIU could use travel credits to pay for travel that does not benefit the project(s) to which it charged the original travel expenses.⁵ Specifically:

- Although FIU stated that it would remove costs associated with a cancelled trip if it received travel credits for that trip that were not used to reschedule project-related travel, it did not implement any formal monitoring procedures to ensure those travel credits were used to benefit the original NSF award(s) charged.

⁴ Flexibility 6 of OMB Memorandum M-20-17 states that recipients are authorized to continue to charge salaries, stipends, and benefits to currently active NSF awards consistent with the recipients' policy of paying salaries from all funding sources, Federal and non-Federal, under unexpected or extraordinary circumstances.

⁵ According to 2 Code of Federal Regulations (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.

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-20-17.⁶ However, because FIU does not have monitoring procedures in place to ensure that it uses travel credits to benefit the NSF award(s) to which it charged the original travel expense, FIU personnel could use travel 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 FIU to strengthen its monitoring procedures to ensure that FIU personnel use any travel credits received to benefit the NSF award to which FIU charged the original travel expense. For cases in which FIU uses a credit to benefit other project(s), it should monitor to ensure that the original travel expense is transferred to the appropriate funding source(s).

FIU Response: FIU did not specify whether it agreed or disagreed with the suggested area for improvement. Specifically, FIU noted that it already has procedures in place to ensure it removes expenses associated with unused travel credits from NSF awards during award closeout. However, it did state that it is currently in the process of strengthening its monitoring procedures to ensure it uses any travel credits received to benefit the NSF award(s) to which it charged the original travel expense(s).

Auditor's Additional Comments: Our position regarding this area for improvement has not changed. Specifically, although FIU stated that it identifies costs associated with unused travel credits and returns these amounts to NSF as part of the award closeout process, because FIU's current procedures, absent the OMB flexibilities, may result in personnel not appropriately returning unused travel credits, as required by Federal regulations,⁷ we still believe FIU should consider improving its monitoring of travel credits.

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 D** of this report.

⁶ 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 their 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*.

⁷ According to 2 CFR § 200.406(a), non-Federal entities receiving credits must return these amounts to the Federal award either as a cost reduction or a cash refund.

Finding 1: Inappropriate Award Cash Management Service Drawdowns

During the audit period, FIU used ACM\$ to inappropriately draw down \$15,419 in funding on two NSF awards. Specifically:

Inappropriate Drawdowns Associated with Expiring Appropriations

FIU stated that it calculated its final funding request for one NSF award based on the anticipated allowable final award expenses, but appears to have used the funding to cover expenses incurred after the funding appropriation expired,⁸ as follows:

- On September 22, 2020, 8 days before NSF Award No. [REDACTED]'s funding appropriation expired, FIU drew down \$51,671 in funding on the award. This amount included \$9,993 in expenses that FIU incurred between September 11 and September 21, 2020, as well as \$41,678 in costs that FIU anticipated incurring before the award's period of performance expired on November 30, 2020, as FIU would be unable to draw down additional funding after September 23, 2020.⁹ Although FIU's GL supports that it used \$40,426 of this amount to cover expenses incurred on or before the NSF award's appropriation expired on September 30, 2020, FIU appears to have used the remaining \$1,252 to cover costs incurred after the award's appropriation expired.

Inappropriate Drawdowns Associated with an Administrative Error

As a result of a clerical error, FIU inappropriately drew down \$14,167 from ACM\$ on one NSF award. Specifically:

- FIU erroneously drew down \$14,167 on NSF Award No. [REDACTED] in ACM\$ to cover \$14,167 in expenses it charged to NSF Award No. [REDACTED] in its GL.
 - *FIU agreed to reimburse NSF for these expenses.*

FIU's ACM\$ drawdown procedures were not sufficient to ensure it always appropriately and accurately drew down funding from ACM\$. As a result, we are questioning \$15,419 in inappropriate drawdowns for two NSF awards. FIU agreed to correct the clerical error that caused it to inappropriately draw down \$14,167 on one NSF award but disagreed with the \$1,252 in questioned costs related to expiring appropriations, as illustrated in Table 1.

⁸ According to 2 CFR § 200.308(e), 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.

⁹ NSF notified FIU 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.

Table 1. Inappropriate ACM\$ Drawdowns

| Description | NSF Award No. | Fiscal Year | Questioned Costs | | | |
|--------------------------------------------------|---------------|-------------|------------------------|-------------------|------------------------|-----------------------------|
| | | | Direct | Indirect | Total | FIU Agreed to Reimburse |
| Inappropriate Spending of Expired Appropriations | ████████ | 2021 | \$1,252 | \$0 | \$1,252 | \$0 ¹⁰ |
| Administrative Error | ████████ | 2021 | <u>14,167</u> | <u>0</u> | <u>14,167</u> | <u>14,167</u> ¹¹ |
| Total | | | <u>\$15,419</u> | <u>\$0</u> | <u>\$15,419</u> | <u>\$14,167</u> |

Source: Auditor reconciliation of ACM\$ draws to expenses supported by FIU’s GL.

Recommendations

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

1. Resolve the \$1,252 in questioned Award Cash Management Service drawdowns for which FIU has not agreed to reimburse NSF and direct FIU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct FIU to provide documentation supporting that it has repaid or otherwise credited the \$14,167 of questioned costs for which it has agreed to reimburse NSF.
3. Direct FIU to update its administrative and management processes and internal control procedures surrounding the Award Cash Management Service for awards with expiring appropriations. Updated processes should ensure FIU appropriately documents how it calculates the final draw amounts for awards with expiring appropriations, to ensure it only uses the draws to cover costs incurred before the appropriation expired.
4. Direct FIU to strengthen its award set-up processes and procedures to ensure it cannot charge costs to an active award if the Federal appropriations for the award have expired.

FIU Response: FIU partially agreed with this finding, stating that it would review its administrative and management processes and internal control procedures surrounding awards with expiring appropriations, but that it disagreed with the \$1,252 in questioned costs. Specifically:

- With regard to the \$1,252 in questioned ACM\$ drawdowns on NSF Award No. ██████████ FIU agreed that it recorded the costs in the GL after the appropriation expired on September 30, 2020, but noted that these costs should be allowable because it incurred the costs before the award expired on November 30, 2020.

¹⁰ Although FIU did not agree with this finding, it did provide documentation supporting that it had transferred \$487 of this amount off the award in February 2021. The transferred amount related to a student’s salary.

¹¹ Because FIU did incur \$14,167 in expenses on NSF Award No. ██████████ it agreed to adjust the drawdown amounts between the two awards, for a net effect of zero dollars being repaid to NSF.

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

- With regard to the \$1,252 in questioned ACM\$ drawdowns on NSF Award No. [REDACTED] although the award's period of performance did not expire until November 30, 2020, because the award's funding appropriation expired on September 30, 2020, costs incurred after that date are not allowable per Federal regulations, as cited in the finding above.

Finding 2: Unallowable Expenses

FIU charged three NSF awards a total of \$6,725 in expenses that were unallowable under Federal regulations¹² and NSF PAPPGs.¹³ Specifically:

Unallowable Uses of Participant Support Costs

FIU inappropriately used \$4,044 in funding provided for participant support costs to cover non-participant expenses¹⁴ and unallowable fringe benefits,¹⁵ as follows:

- In March 2020, FIU used \$3,253 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover salary costs for a graduate student.
 - *FIU agreed to reimburse NSF for these expenses.*
- Between May and September 2020, FIU used \$791 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover fringe benefit expenses inappropriately applied to participant stipends.

Unallowable Promotional Items

FIU charged one NSF award for \$2,681 in costs incurred to purchase unallowable promotional figurines,¹⁶ as follows:

¹² According to 2 CFR § 200.403 and § 200.405, absent the COVID-19 flexibilities granted by OMB, for costs to be allowable, they must conform to the limitations and exclusions outlined in 2 CFR § 200.

¹³ NSF PAPPGs 17-1 and 19-1, Part II, Chapter X, Section A. state that grantees are responsible for ensuring that all costs charged to NSF awards meet the requirements of the cost principles contained in 2 CFR § 200, Subpart E; grant terms and conditions; and any other specific requirements of both the award notice and the applicable program solicitation.

¹⁴ According to 2 CFR § 200.75, participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects. Further, NSF PAPPGs 17-1 and 19-1, Part I, Chapter II, Section C.2.g.(v) state that participant support costs are direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees that the grantee paid to or on behalf of participants or trainees (but not employees) in connection with NSF-sponsored conferences or training projects.

¹⁵ FIU's Negotiated Indirect Cost Rate Agreement (NICRA) identifies salaries and wages as the only base for the application of fringe benefits.

¹⁶ According to 2 CFR § 200.421(e)(3), costs related to promotional items and memorabilia, including models, gifts, and souvenirs, are unallowable.

- In April 2020, FIU charged NSF Award No. [REDACTED] for \$2,681 in costs incurred to purchase figurines as gifts for participants in the Supporting Teachers to Encourage the Pursuit of Undergraduate Physics (STEP UP) program, which is a part of the award’s Research Experiences for Undergraduates (REU) program.
 - *FIU agreed to reimburse NSF for these expenses.*

FIU does not have sufficient policies and procedures or internal controls in place to ensure that it only charges allowable expenses to NSF awards. Specifically, FIU’s procedures did not always ensure that FIU:

- Did not use participant support cost funding to cover salary costs for employees.
- Only applied fringe benefits to an allowable salary and wage base.
- Did not charge unallowable promotional items directly to NSF awards.

We are therefore questioning \$6,725 in unallowable expenses charged to three NSF awards. FIU concurred with \$5,934 of the questioned costs but disagreed with the remaining \$791, as illustrated in Table 2.

Table 2. Unallowable Expenses

| Description | NSF Award No. | Fiscal Year(s) | Questioned Costs | | | |
|-------------------------------------------------------|---------------|----------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | | | Direct | Indirect | Total | FIU Agreed to Reimburse |
| March 2020 Unallowable Non-Participant Salary Costs | [REDACTED] | 2020 | \$2,624 | \$629 | \$3,253 | \$3,253 |
| May 2020 – September 2020 Unallowable Fringe Benefits | [REDACTED] | 2020 | 791 | 0 | 791 | 0 |
| April 2020 Unallowable Promotional Figurines | [REDACTED] | 2020 | 1,830 | 851 | 2,681 | 2,681 |
| Total | | | <u>\$5,245</u> | <u>\$1,480</u> | <u>\$6,725</u> | <u>\$5,934</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 \$791 in questioned fringe benefit costs for which FIU has not agreed to reimburse NSF and direct FIU to repay or otherwise remove the sustained questioned costs from its NSF awards.
2. Direct FIU to provide documentation supporting that it has repaid or otherwise credited the \$5,934 of questioned promotional and salary costs for which it has agreed to reimburse NSF.

3. Direct FIU to establish clear guidance regarding the allowable uses of participant support cost funding. This guidance should address:
 - a. Allowable uses of participant support cost funding.
 - b. How to verify personnel did not apply fringe benefit rates to participant stipends or other non-salary expenses.
4. Direct FIU to strengthen its monitoring procedures surrounding costs charged to its NSF Research Experiences for Undergraduates programs. Updated procedures should ensure FIU charges costs associated with promotional and/or other unallowable items to non-Federal funding sources.

FIU Response: FIU partially concurred with this finding, agreeing to reimburse NSF for \$5,934 of the questioned costs and to review its participant support cost funding and unallowable expense guidance. However, FIU noted that it disagreed with the remaining \$791 in questioned costs. Specifically:

- With regard to the \$791 in questioned fringe benefits charged to NSF Award No. [REDACTED] FIU believes the costs should be allowable because the benefits covered health insurance provided to graduate assistant participants. FIU stated that, given the longevity of the training program, it provided health insurance to the participants, consistent with the benefits it provides to students with long-term fellowship appointments. Although FIU charged these costs to the NSF award as fringe benefits because it paid the stipends through its payroll system, FIU believes the costs should be allowable because health insurance is a type of subsistence payment, and participant support cost funding can be used to cover subsistence payments.

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

- With regard to the \$791 in questioned fringe benefits charged to NSF Award No. [REDACTED] FIU did not treat these expenses as subsistence payments; instead, it applied its fringe benefit rate to participant support cost stipends, which are not included in the NICRA-approved fringe benefit rate base. As a result, the costs are not allowable.

Finding 3: Incorrect Application of Unapproved Fringe Benefit Rates

FIU began applying the fringe benefit rates it developed for the 2020-2021 fiscal year to all active awards as of July 1, 2020, at the direction of its Assistant Vice President for Research per a memorandum dated April 3, 2020.¹⁷ Because FIU's cognizant audit agency, the Department of Health and Human Services (DHHS), had not approved these fringe benefit rates, FIU inappropriately applied fringe benefit rates to salaries earned by employees in five different employee groups, as follows:

¹⁷ FIU's Office of Research and Economic Development issued a memorandum dated April 3, 2020, with the subject line "Fringe Benefit Rates for Proposals and Awards."

Table 3. Incorrect Application of Unapproved Fringe Benefit Rates

| Employee Group | Rate Applied | Appropriate Rate¹⁸ |
|-----------------------------------------------------------|---------------------|--------------------------------------|
| College of Medicine (COM) Faculty | 24.42% | 23.93% |
| Admin/Faculty Excluding COM Faculty | 34.29% | 34.01% |
| Staff | 49.29% | 47.42% |
| Non-Student Other Personnel Services (Other Temporary) | 4.48% | 4.29% |
| Graduate Student Assistants | 7.33% | 8.79% |

Source: Auditor summary of identified exceptions.

On July 1, 2020, FIU began applying the fringe benefit rates that its Office of Financial Planning developed in April 2020, despite having missed the FY 2021 indirect cost rate proposal submission deadline as a result of delays related to COVID-19. Although FIU included the majority of the applied rates in the FY 2021 indirect cost rate proposal it submitted to DHHS on December 2, 2020,¹⁹ because DHHS had not approved those rates, FIU should have continued to apply the provisional fringe benefit rates identified in its NICRA dated April 14, 2020, to its FY 2021 salary expenses.

Although we determined that FIU inappropriately applied fringe benefits to salary expenses charged to 116 NSF awards during the audit period, as outlined in **Appendix C**, because FIU does not appear to have overcharged NSF for fringe benefit expenses, we are not questioning any costs associated with this finding. However, we did note a compliance finding, as FIU's current methodology does not comply with Federal requirements and could cause FIU to overcharge NSF for fringe benefit expenses in the future.

Recommendation

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

1. Direct FIU to update its current practices to ensure it only applies fringe benefits using fringe benefit rates that have been approved by its cognizant audit agency.

FIU Response: Although FIU did not specify whether it agreed or disagreed with the finding, it noted that it received DHHS's approval for its proposed FY 2021 fringe benefit rates effective July 1, 2020. Further, FIU stated that it will not implement any future fringe benefit changes without first obtaining DHHS's approval.

Auditors' Additional Comments: Our position regarding this finding has not changed. Specifically, because FIU did not provide support that DHHS approved the proposed rates

¹⁸ The appropriate rate for each fringe benefit category is based on the provisional fringe benefit rates included in FIU's NICRA dated April 14, 2020.

¹⁹ In its memorandum dated April 3, 2020, FIU proposed a 7.33 percent fringe benefit rate for graduate students; however, FIU proposed a 3.07 percent fringe benefit rate for graduate students in the FY 2021 indirect cost rate proposal it submitted to DHHS.

applied, and because FIU should not have used the proposed FY 2021 fringe benefit rates before obtaining DHHS's approval to do so, FIU did not appropriately apply fringe benefits to FY 2021 salaries during the audit period. Further, because the Graduate Student Assistant rate FIU proposed to DHHS (3.07 percent) in December 2020 was significantly lower than the rate it applied to graduate student assistants during the audit period (7.33 percent), even if DHHS does approve the rates FIU proposed, our position regarding this finding would not change.

COTTON & COMPANY LLP



Megan Mesko, CPA, CFE
Partner
May 14, 2021

**APPENDIX A: FLORIDA INTERNATIONAL UNIVERSITY'S IMPLEMENTATION OF
OMB AND NSF'S COVID-19 FLEXIBILITIES**

FLORIDA INTERNATIONAL UNIVERSITY’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 Florida International University’s (FIU’s) System for Award Management (SAM) registration does not expire until February 20, 2022, it did not need to use this flexibility. |
| | 2. Flexibility with application deadlines | Yes | No Exceptions Noted. FIU noted that, where sponsors extended deadlines due to COVID-19, some faculty elected to take advantage of the extensions; however, FIU did not rescind or resubmit any grant proposals as a result of implementing this flexibility. |
| | 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 | Yes | No Exceptions Noted. FIU stated that it submitted approximately 50 percent more no-cost extensions during the flexibility period than it did during the same period in 2019, but noted that the no-cost extensions were subject to the same monitoring and approval policies and procedures that FIU had in place prior to the pandemic. FIU also noted that faculty submitted no-cost extensions related to COVID-19 on an as-needed basis. |
| | 5. Abbreviated non-competitive continuation requests | No | Not Applicable. FIU stated that it did not make any non-competitive continuation requests. |
| | 6. Allowability of salaries and other project activities | Yes | <p>No Exceptions Noted. FIU stated that it allowed personnel to charge salaries and other project activities to grants consistent with this flexibility. Specifically, FIU noted that its Human Resources department created a new “COVID-19 Emergency Policy #1700.10,” which was reviewed by FIU’s Emergency Operations Committee—a standing committee that FIU has in place to respond to hurricanes in Florida—and its Executive Committee. This new policy, which became effective May 15, 2020, removed maximum vacation leave accruals, provided access to professional development courses, encouraged talent-sharing activities, allowed expanded use of sick leave, implemented an emergency catastrophic leave program, and included a modified/reduced work schedule.</p> <p>Although the majority of the changes that the policy implemented did not have a direct effect on costs charged to NSF awards during the OMB flexibility period, because FIU allowed employees to temporarily augment their compensable work with up to 80 hours of time spent participating in professional development training courses between March 16, and May 15, 2020, FIU may have charged NSF awards for salary costs associated with professional development activities, which are not typically allowable as direct costs. Specifically, FIU noted that, because it did not track these activities separately, they were funded in the same manner as an employee’s normal assignment. As a result, if an employee’s normal assignment was funded in whole or in part by an NSF award, the</p> |

| OMB Memo | Flexibility Granted | Flexibility Implemented per Awardee? | Exception(s) Identified with the Awardee's Implementation of the Flexibilities? |
|----------|--------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | employee could have charged the NSF award for costs associated with up to 80 hours of time spent on professional development training. The sampled employee effort reports did not identify time spent in professional development training courses. However, because the methodology FIU used appears to be reasonable and is supported by its emergency salary policy, and because our limited testing did not identify any instances in which sampled salary expenses related to salary earned while an employee was unable to perform research under the NSF award charged, we did not note any exceptions with regard to FIU's implementation of this flexibility. |
| | 7. Allowability of costs not normally chargeable to awards | No* | No Exceptions Noted. FIU indicated that it did not implement this flexibility;* however, based on the understanding we gained during our interviews with relevant FIU staff, we determined that FIU had implemented this flexibility as it relates to typically unallowable travel costs. Specifically, FIU noted that any costs associated with cancelled conferences for which it was unable to receive a refund or credit would remain on the funding source to which FIU had originally charged the conference expenses. FIU estimated these costs at approximately \$2,000. FIU also noted that any costs associated with cancelled travel for which it received a travel credit would remain on the funding source to which FIU had originally charged the travel expense. FIU stated that it intends to use the travel credits to benefit the original awards charged, but that if it was unable to do so, it would transfer the travel expenses as appropriate. Although our sample testing did not identify any instances in which FIU used this flexibility and we did not note any exceptions with regard to how FIU is currently charging these costs to NSF, because FIU's current procedures for tracking travel credits could result in travelers not appropriately allocating travel costs to NSF awards, we noted an area for improvement. |
| | 8. Prior approval requirement waivers | No | Not Applicable. FIU stated that it did not waive any prior-approval requirements related to spending on NSF awards, and our sample testing did not identify any instances in which FIU used this flexibility. |
| | 9. Exemption of certain procurement requirements | No | Not Applicable. FIU did not make any changes to its internal procurement requirements, and our sample testing did not identify any instances in which FIU used this flexibility. |
| | 10. Extension of financial, performance, and other reporting | Yes | No Exceptions Noted. Although FIU indicated that it had implemented this flexibility, it noted that some principal investigators (PIs) may have requested extensions to enable them to submit their performance reports if they experienced delays related to COVID-19. FIU stated that it did not change its monitoring procedures surrounding requests for report extensions and that PIs were required to follow FIU's existing extension request procedures. Although our data analytics confirmed that PIs requested no-cost extensions during the audit period, our testing did not reveal any exceptions related to inappropriate spending during a financial, performance, or other reporting extension. |

| OMB Memo | Flexibility Granted | Flexibility Implemented per Awardee? | Exception(s) Identified with the Awardee’s Implementation of the Flexibilities? |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 11. Extension of currently approved indirect cost rates | No | Not Applicable. FIU stated that it did not implement this flexibility; however, it noted that due to delays related to COVID-19, it had been late in submitting its indirect cost rate proposal for its FY 2021 fringe benefit rates to its cognizant agency, the Department of Health and Human Services (DHHS). Because FIU did not request or receive an extension of its indirect cost rate proposal submission to establish future rates, this flexibility is not applicable. However, because FIU submitted its proposal late and did not appropriately implement this flexibility, which would have allowed FIU to continue using the rates included in its currently approved Negotiated Indirect Cost Rate Agreement (NICRA), FIU has been inappropriately applying its proposed fringe benefits rates to NSF awards since July 1, 2020. |
| | 12. Extension of closeout | Yes | No Exceptions Noted. FIU stated that it implemented this flexibility to allow PIs to request additional extensions to the deadlines for submitting their performance reports, as necessary. However, FIU noted that the no-cost extensions were still subject to the monitoring and approval policies and procedures that FIU had in place prior to the pandemic. Although our data analytics confirmed that PIs requested no-cost extensions during the audit period, our testing did not reveal any exceptions related to inappropriate transfers made during an extended grant closeout period. |
| | 13. Extension of Single Audit submission | No | Not Applicable. FIU did not request or receive an extension related to the submission of its Single Audit report. |
| M-20-20 | 1. Donations of medical equipment and other resources purchased/ funded under Federal financial assistance in support the COVID-19 response | No | Not Applicable. FIU stated that it did not donate medical equipment or other resources purchased or funded under Federal financial assistance to support the COVID-19 response. |
| M-20-26 | 1. Extension of allowability of salaries and other project activities through September 30, 2020 | Yes | No Exceptions Noted. FIU stated that it allowed personnel to charge salaries and other project activities to grants consistent with this flexibility. Specifically, FIU noted that its Human Resources department created a new emergency salary policy, which was reviewed by its Emergency Operations Committee—a standing committee that FIU has in place to respond to hurricanes in Florida—and its Executive Committee. Although FIU did implement this new policy, because the policy focused on changes to salary benefits (such as the removal of maximum vacation leave accruals, time spent on professional development, modified/reduced work schedules, and expanded use of sick leave and emergency catastrophic leave), it did not change in FIU's approach for charging salaries and benefits directly to sponsored awards. We therefore did not identify any instances in which sampled salary expenses related to salary earned while the employee was unable to perform activities to benefit the NSF award(s) charged. |

| OMB Memo | Flexibility Granted | Flexibility Implemented per Awardee? | Exception(s) Identified with the Awardee's Implementation of the Flexibilities? |
|----------|--------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| | 2. Extension of Single Audit submission and COVID-19 emergency acts fund reporting through December 31, 2020 | No | Not Applicable. FIU did not request or receive an extension related to the submission of its Single Audit report. |

APPENDIX B: FLORIDA INTERNATIONAL UNIVERSITY’S OMB FLEXIBILITY SURVEY RESPONSE

FLORIDA INTERNATIONAL UNIVERSITY'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? | Yes |
| 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? | No |
| 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? | Yes |
| 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? | Yes |
| 20 | Used NSF funding to sponsor virtual conferences or other virtual events/programs? | Yes |
| 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? | No |
| 24 | Rebudgeted any NSF award participant support cost funding? | Yes |
| 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? | No |
| 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? | No |
| 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? | Yes |
| 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)? | Yes |
| 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? | No |
| 42 | Received any NSF awards to perform research that involves human-subjects prior to receiving Institutional Review Board (IRB) approval? | Yes |
| 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? | No |

| 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? | No |

**APPENDIX C: REVIEW OF FRINGE BENEFITS FROM JULY 1, 2020, THROUGH
SEPTEMBER 30, 2020**

REVIEW OF FRINGE BENEFITS FROM JULY 1, 2020, THROUGH SEPTEMBER 30, 2020

| NSF Award | Award Date | Total Fringe Benefits Applied | Total Fringe Benefits That FIU Should Have Applied | Difference |
|-----------|------------|-------------------------------|----------------------------------------------------|------------|
| | 8/20/2014 | \$127.62 | \$126.58 | \$1.04 |
| | 3/24/2015 | 9,004.55 | 8,931.02 | 73.53 |
| | 4/2/2015 | 4,151.11 | 4,117.21 | 33.90 |
| | 7/20/2015 | 3,655.26 | 3,640.56 | 14.70 |
| | 5/7/2015 | 1,670.36 | 1,727.34 | (56.98) |
| | 1/14/2015 | 1,444.04 | 1,534.65 | (90.61) |
| | 6/3/2015 | 416.39 | 412.99 | 3.40 |
| | 9/23/2015 | 15,196.37 | 15,169.33 | 27.04 |
| | 7/30/2015 | 591.66 | 646.79 | (55.13) |
| | 6/15/2015 | 3,286.75 | 3,289.37 | (2.62) |
| | 9/16/2015 | 9,253.27 | 9,633.55 | (380.28) |
| | 8/24/2015 | 3,332.98 | 3,480.28 | (147.30) |
| | 4/12/2016 | 14,668.34 | 15,835.10 | (1,166.76) |
| | 9/17/2015 | 4,115.11 | 4,074.31 | 40.80 |
| | 12/3/2015 | 2,706.37 | 2,729.02 | (22.65) |
| | 2/12/2016 | 2,184.03 | 2,166.20 | 17.83 |
| | 6/3/2016 | 204.36 | 245.06 | (40.70) |
| | 7/20/2016 | 139.49 | 138.35 | 1.14 |
| | 9/14/2016 | 10,621.28 | 10,592.72 | 28.56 |
| | 7/27/2016 | 68.12 | 81.69 | (13.57) |
| | 9/16/2016 | 1,760.46 | 1,834.82 | (74.36) |
| | 1/31/2017 | 2,306.37 | 2,269.71 | 36.66 |
| | 6/12/2017 | 340.60 | 408.44 | (67.84) |
| | 5/9/2017 | 3,200.79 | 3,174.65 | 26.14 |
| | 12/15/2016 | 1,859.77 | 1,843.05 | 16.72 |
| | 7/10/2017 | 681.20 | 816.88 | (135.68) |
| | 7/31/2017 | 4,914.44 | 4,874.31 | 40.13 |
| | 7/24/2017 | 2,542.11 | 2,526.57 | 15.54 |
| | 7/19/2017 | 1,223.26 | 1,293.94 | (70.68) |
| | 7/19/2017 | 667.67 | 757.00 | (89.33) |
| | 7/28/2017 | 890.06 | 1,039.96 | (149.90) |
| | 8/30/2017 | 9,907.12 | 9,932.35 | (25.23) |
| | 5/16/2017 | 5,102.02 | 5,092.63 | 9.39 |
| | 8/8/2017 | 1,973.28 | 1,957.17 | 16.11 |
| | 9/8/2017 | 341.63 | 409.68 | (68.05) |
| | 7/31/2017 | 3,860.99 | 3,829.46 | 31.53 |
| | 8/31/2017 | 2,333.38 | 2,314.33 | 19.05 |
| | 9/7/2017 | 3,098.29 | 3,069.68 | 28.61 |
| | 7/25/2017 | 5,428.21 | 5,481.52 | (53.31) |
| | 5/12/2017 | 6,276.83 | 6,306.24 | (29.41) |
| | 1/17/2018 | 6,020.25 | 5,971.09 | 49.16 |
| | 5/9/2018 | 3,632.39 | 3,602.73 | 29.66 |
| | 11/17/2017 | 136.24 | 163.38 | (27.14) |
| | 5/14/2018 | 389.05 | 466.54 | (77.49) |
| | 10/25/2017 | 6,041.34 | 5,992.01 | 49.33 |
| | 2/27/2018 | 1,798.77 | 1,812.33 | (13.56) |
| | 7/30/2018 | 281.95 | 279.65 | 2.30 |
| | 8/13/2018 | 1,546.28 | 1,759.53 | (213.25) |
| | 8/23/2018 | 2,621.58 | 2,566.51 | 55.07 |

| NSF Award | Award Date | Total Fringe Benefits Applied | Total Fringe Benefits That FIU Should Have Applied | Difference |
|-----------|------------|-------------------------------|----------------------------------------------------|------------|
| | 8/2/2018 | 3,376.57 | 3,365.88 | 10.69 |
| | 3/9/2018 | 204.36 | 245.06 | (40.70) |
| | 7/30/2018 | 204.36 | 245.06 | (40.70) |
| | 7/24/2018 | 19,233.80 | 19,159.69 | 74.11 |
| | 11/16/2018 | 7,943.97 | 7,865.04 | 78.93 |
| | 8/7/2018 | 2,180.71 | 2,162.90 | 17.81 |
| | 8/14/2018 | 1,801.49 | 1,815.03 | (13.54) |
| | 8/30/2018 | 3,775.99 | 3,816.76 | (40.77) |
| | 9/5/2018 | 11,432.41 | 11,429.42 | 2.99 |
| | 2/4/2019 | 144.32 | 173.07 | (28.75) |
| | 8/30/2018 | 3,109.90 | 3,232.08 | (122.18) |
| | 4/29/2019 | 5,199.93 | 5,157.47 | 42.46 |
| | 3/7/2019 | 340.60 | 408.44 | (67.84) |
| | 2/14/2019 | 3,710.83 | 3,751.22 | (40.39) |
| | 3/1/2019 | 3,052.60 | 3,023.37 | 29.23 |
| | 11/16/2018 | 1,226.88 | 1,216.86 | 10.02 |
| | 12/21/2018 | 68.12 | 81.69 | (13.57) |
| | 9/21/2018 | 3,694.64 | 3,693.79 | 0.85 |
| | 12/11/2018 | 183.78 | 182.28 | 1.50 |
| | 8/2/2019 | 204.36 | 245.06 | (40.70) |
| | 6/6/2019 | 2,330.58 | 2,339.80 | (9.22) |
| | 10/25/2018 | 68.12 | 81.69 | (13.57) |
| | 10/31/2018 | 3,192.52 | 3,261.46 | (68.94) |
| | 11/27/2018 | 352.21 | 419.57 | (67.36) |
| | 7/11/2019 | 1,425.25 | 1,413.61 | 11.64 |
| | 5/13/2019 | 3,392.04 | 3,461.14 | (69.10) |
| | 5/10/2019 | 3,096.07 | 3,070.79 | 25.28 |
| | 7/12/2019 | 722.58 | 716.68 | 5.90 |
| | 7/15/2019 | 233.43 | 279.92 | (46.49) |
| | 7/23/2019 | 1,154.85 | 1,145.35 | 9.50 |
| | 7/24/2019 | 5,574.73 | 5,690.55 | (115.82) |
| | 7/26/2019 | 1,117.98 | 1,140.43 | (22.45) |
| | 9/17/2019 | 550.35 | 544.69 | 5.66 |
| | 7/11/2019 | 4,143.92 | 4,233.77 | (89.85) |
| | 6/6/2019 | 97.02 | 116.34 | (19.32) |
| | 6/26/2019 | 5,415.42 | 5,451.87 | (36.45) |
| | 8/19/2019 | 2,651.97 | 2,630.31 | 21.66 |
| | 3/28/2019 | 476.84 | 571.82 | (94.98) |
| | 3/7/2019 | 132.81 | 159.26 | (26.45) |
| | 8/9/2019 | 638.34 | 655.93 | (17.59) |
| | 4/4/2019 | 3,885.63 | 3,843.07 | 42.56 |
| | 7/1/2019 | 2,640.52 | 2,674.76 | (34.24) |
| | 7/11/2019 | 1,390.82 | 1,379.46 | 11.36 |
| | 9/10/2019 | 2,828.14 | 2,800.95 | 27.19 |
| | 3/23/2020 | 322.91 | 387.23 | (64.32) |
| | 8/27/2019 | 1,301.41 | 1,290.78 | 10.63 |
| | 5/29/2020 | 4,528.63 | 4,554.40 | (25.77) |
| | 2/10/2020 | 1,127.82 | 1,183.15 | (55.33) |
| | 3/12/2020 | 3,282.31 | 3,255.51 | 26.80 |
| | 4/13/2020 | 12,621.01 | 12,584.41 | 36.60 |
| | 3/26/2020 | 163.52 | 196.09 | (32.57) |
| | 6/12/2020 | 1,497.72 | 1,513.74 | (16.02) |

| NSF Award | Award Date | Total Fringe Benefits Applied | Total Fringe Benefits That FIU Should Have Applied | Difference |
|--------------|------------|-------------------------------|----------------------------------------------------|----------------------------|
| | 12/30/2019 | 455.22 | 451.50 | 3.72 |
| | 12/5/2019 | 4,470.99 | 4,434.48 | 36.51 |
| | 6/30/2020 | 528.39 | 524.08 | 4.31 |
| | 7/13/2020 | 3,969.48 | 3,969.33 | 0.15 |
| | 4/23/2020 | 2,758.95 | 2,736.42 | 22.53 |
| | 5/8/2020 | 2,557.54 | 2,526.92 | 30.62 |
| | 6/11/2020 | 3,457.00 | 3,461.04 | (4.04) |
| | 1/23/2020 | 3,760.89 | 3,744.30 | 16.59 |
| | 3/16/2020 | 272.48 | 326.75 | (54.27) |
| | 6/2/2020 | 3,146.22 | 3,120.53 | 25.69 |
| | 4/21/2020 | 3,443.33 | 3,533.03 | (89.70) |
| | 4/28/2020 | 4,530.51 | 4,486.61 | 43.90 |
| | 5/13/2020 | 1,524.52 | 1,544.34 | (19.82) |
| | 5/15/2020 | 3,063.81 | 3,158.78 | (94.97) |
| | 7/28/2020 | 157.88 | 189.33 | (31.45) |
| Total | | <u>\$349,558.09</u> | <u>\$352,944.45</u> | <u>\$(3,386.36)</u> |

APPENDIX D: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # 140D0420F0621
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
FLORIDA INTERNATIONAL UNIVERSITY

SCHEDULE OF QUESTIONED COSTS BY FINDING

| Finding | Description | Questioned Costs | | Total |
|--------------|----------------------------------------------------------|-------------------|------------------------|------------------------|
| | | Unsupported | Unallowable | |
| 1 | Inappropriate Award Cash Management Service Drawdowns | \$0 | \$15,419 | \$15,419 |
| 2 | Unallowable Expenses | 0 | 6,725 | 6,725 |
| 3 | Incorrect Application of Unapproved Fringe Benefit Rates | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | | <u>\$0</u> | <u>\$22,144</u> | <u>\$22,144</u> |

APPENDIX E: FLORIDA INTERNATIONAL UNIVERSITY'S RESPONSE



April 22, 2021

To Cotton & Company LLP
333 John Carlyle Street, Suite 500
Alexandria, Virginia 22314

Attention: Megan Mesko, CPA, CFE

We are providing written comments addressing each area for improvement and findings outlined in the Performance Audit of Florida International University's Implementation of the Office of Management and Budget Coronavirus Disease 2019 Flexibilities National Science Foundation Office of Inspector General Draft Report.

Area for Improvement

Weak Monitoring of Travel Credits:

- FIU is currently strengthening its monitoring procedures to ensure travel credits received are used to benefit the NSF award(s) to which the original expense was charged. However, FIU currently has procedures in place to ensure appropriateness prior to close out of the award. Specifically, FIU currently inquires when the award is ending if any travel credits were issued and any that did not benefit the project are removed.

Audit Findings

Finding 1: Inappropriate Award Cash Management Service Drawdowns

Inappropriate Drawdowns Associated with Expiring Appropriations

- FIU agrees that \$1,252 in questioned drawdowns were recorded in the GL after the appropriation expired on September 30, 2020, however FIU incurred all relevant expenses within the approved period of performance (POP). FIU believes the questioned drawdowns that were recorded in the GL after the appropriation expired on September 30, 2020 but prior to the award's November 30, 2020 award expiration date are allowable.

Inappropriate Drawdowns Associated with an Administrative Error

- FIU agreed to adjust the draw down amounts between the two awards in question, for a net effect of zero dollars being repaid to NSF. This transaction was completed on November 12, 2020. (documentation provided to auditors on 11.12.2020 and 4.7.2020 and attached)

FIU agrees to review its administrative and management processes and internal control procedures surrounding the Award Cash Management Service awards with expiring appropriations.

FIU's current award set-up process and procedures currently do not allow for charges after the award end date and/or close out period.

Finding 2: Unallowable Expenses

Unallowable Use of Participant Support Costs

OFFICE OF RESEARCH AND ECONOMIC DEVELOPMENT

11200 SW 8th Street · MARC 430 · Miami, FL 33199 · Tel 305-348-2494 · Fax 305-348-6389 · research.fiu.edu

- FIU agrees to remove the \$3,253 of participant support cost funding awarded under NSF Award No. [REDACTED] to cover salary costs for a graduate student in error.
- FIU used \$791 of participant support cost funding to cover fringe benefit expense applied to participant stipends. For administrative convenience, organizations may choose to issue payments using their normal payroll system. These participants are in a yearlong training program and the students were paid through our HR system due to the fact that our HR system controls access to university buildings and IT systems in which these participants needed access. In addition due to the length of the training program, which is similar to other programs whereby fellowships are provided health insurance coverage, we also provide health insurance for these participants. The fringe rate charged was only for the health insurance that is provided to individuals in this classification. FIU provides health insurance to graduate assistants and since participant support costs allow for subsistence allowances as well, FIU believes health insurance to be a type of subsistence payment (although it is made on the participants behalf directly to the insurance provider) and therefore allowable. In addition, it allows FIU to be consistent in the types of payments made to those that are in long term training situations at FIU. Therefore, FIU does not believe the charge, although it was reflected as a fringe benefit GL account, is an unallowable charge.

Unallowable Promotional Items

- FIU agrees to remove the \$2,681 in costs incurred for unallowable promotional items. This transaction was completed on 1.11.21 and provided to the auditors and attached.

FIU agrees to review its guidance regarding allowable uses of participant support cost funding and charges associated with promotional and/or other unallowable items. Training resources will be directed to research administrators and principal investigators for compliance with sponsored awards.

Finding 3: Incorrect Application of Unapproved Fringe Benefit Rates

- The submission of the FY 20/21 fringe rates were delayed and FIU applied the submitted rates prior to receiving formal approval from DHHS. FIU has received approval of the submitted FY 20/21 fringe benefit rates effective July 1, 2020. FIU will not implement fringe benefit changes in the future without DHHS approval.



Digitally signed by Donna Kiley
 DN: cn=Donna Kiley, o=FIU,
 ou=ORED,
 email=dkiley@fiu.edu, c=US
 Date: 2021.04.22 16:03:03
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Donna Kiley
 Director Post
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Tonja
 Moore

Digitally signed by Tonja Moore
 DN: cn=Tonja Moore, o=Florida
 International University, ou=Office of
 Research and Economic Development,
 email=mooret@fiu.edu, c=US
 Date: 2021.04.22 18:43:23 -04'00'

Tonja Moore
 Associate Vice President of Research Strategic Planning and Operations

APPENDIX F: 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 FIU used the administrative COVID-19 flexibilities authorized by OMB and, if so, whether FIU 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 Federal²⁰ and NSF criteria,²¹ 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](#)
 - [FAQs About the Coronavirus Disease 2019 \(COVID-19\) for NSF SBIR and STTR Grantees](#)

²⁰ We assessed FIU’s compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

²¹ We assessed FIU’s compliance with NSF PAPPGs 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 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 FIU’s internal controls, within the audit’s scope, solely to understand whether the directives/policies and procedures FIU has in place ensure charges against NSF awards comply with relevant Federal regulations and NSF award terms.
- Requested, obtained, and reviewed FIU 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 FIU and NSF OIG. NSF OIG provided award data that FIU reported through ACM\$ during our audit period.
 - We assessed the reliability of the general ledger data that FIU provided by (a) comparing the costs charged to NSF awards per FIU’s accounting records to the reported net expenditures reflected in the ACM\$ drawdown requests that FIU submitted to NSF during the audit’s period of performance; and (b) reviewing the parameters that FIU used to extract transaction data from its accounting systems. We identified one finding related to discrepancies between the amounts supported by FIU’s general ledger and the amounts that FIU claimed per ACM\$ (See Finding 1); however, we found FIU’s computer-processed data to be sufficiently reliable for the purposes of the audit.
 - 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.
 - FIU 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 \$12,433,140 in costs claimed on 154 NSF awards.
 - Gained an understanding of whether and how FIU implemented the OMB/NSF administrative flexibilities by:
 - Analyzing FIU’s responses to the COVID-19 flexibility surveys included in **Appendix A** and **Appendix B**.

- Summarizing all guidance, policies, and procedures that FIU issued in response to the COVID-19 pandemic.
- Conducting walkthroughs and interviews with FIU staff to evaluate how FIU implemented the flexibilities and how that implementation fit within FIU's overall grant management environment.
- Brainstormed and executed a series of data analytic tests aimed at identifying expenses that FIU incurred in accordance with the COVID-19 flexibilities, or that we identified as high risk for other related reasons.
- Judgmentally selected 31 transactions to test based on the results of our data analytic tests, as approved by NSF OIG.
- Reviewed the supporting documentation that FIU 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 FIU'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 FIU personnel to ensure FIU was aware of each potential finding and to provide FIU 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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