

NCURA REGION II

HOT TOPICS IN RESEARCH ADMINISTRATION

IN THE NEWS

| | |
|---|----|
| KEEPING ON THE LIGHTS | 3 |
| \$47 SHRIMP TREADMILL | 7 |
| NEXT BATTLE IN THE WAR ON SCIENCE | 10 |
| BOEHNER: BRACE YOURSELF FOR ANOTHER GOVERNMENT SHUTDOWN | 17 |
| CONGRATS YOUNG SCIENTIST | 18 |

AUDIT WORK PLANS

| | |
|--|----|
| HHS AUDIT WORK PLAN 2015 | 20 |
| HHS OIG SEMIANNUAL REPORT TO CONGRESS 2015 | 24 |
| NSF AUDIT WORK PLAN 2015 | 28 |
| NSF OIG SEMIANNUAL REPORT TO CONGRESS 2015 | 42 |

OTHER CHANGES IN REGULATIONS

| | |
|---|----|
| DATA ACT | 61 |
| REMINDER: NIH POLICY ON APPLICATION COMPLIANCE NOT-OD-15-095 | 63 |
| SIMPLIFYING THE NIH POLICY FOR LATE APPLICATION SUBMISSIONS NOT-OD-15-039 | 64 |
| NIH DELAYS IN GRANT SUBMISSIONS DUE TO WEATHER/DISASTER NOT-OD-15-108 | 68 |
| NIH UPDATED BIOSKETCH NOT-OD-15-032 AND EXAMPLE | 69 |
| NIH TRANSITION TO PAYMENT MANAGEMENT NOT-OD-14-103 | 76 |
| NSF PAPPG SUMMARY OF SIGNIFICANT CHANGES | 79 |
| NSF AUTOMATED PROPOSAL COMPLIANCE CHECKS | 87 |

REGULATORY COMPLIANCE

| | |
|---|----|
| LEHIGH PROFESSOR CHARGED WITH FRAUD IN NASA PROJECT | 93 |
| NSF FREEZES GRANTS TO UCONN | 96 |
| UNIVERSITY OF MINNESOTA'S MEDICAL RESEARCH MESS | 97 |

RECENT MISCONDUCT CASES

| | |
|---|-----|
| NIH FINDINGS OF RESEARCH MISCONDUCT: WAYNE STATE UNIVERSITY | 101 |
| NIH FINDINGS OF RESEARCH MISCONDUCT: COLUMBIA UNIVERSITY | 103 |
| TARGETS OF MISCONDUCT PROBE LAUNCH A LEGAL COUNTERATTACK | 106 |
| CAREER COACH: ETHICAL LAPSES IN LEADERSHIP | 107 |

AUDITS

| | |
|--|-----|
| NSF AUDIT: UC SANTA BARBARA | 110 |
| NSF AUDIT RESOLUTION: UC SANTA BARBARA | 131 |
| NSF AUDIT: UNIVERSITY OF WISCONSIN MADISON | 132 |
| NIH AUDIT: UC SAN DIEGO – NON PAYROLL ADMINISTRATIVE COSTS | 161 |
| NIH AUDIT UC SAN DIEGO – PAYROLL ADMINISTRATIVE & CLERICAL | 172 |
| CIVIL FRAUD CLAIMS AGAINST COLUMBIA UNIVERSITY SETTLED | 176 |

SUBMONITORING SECTION

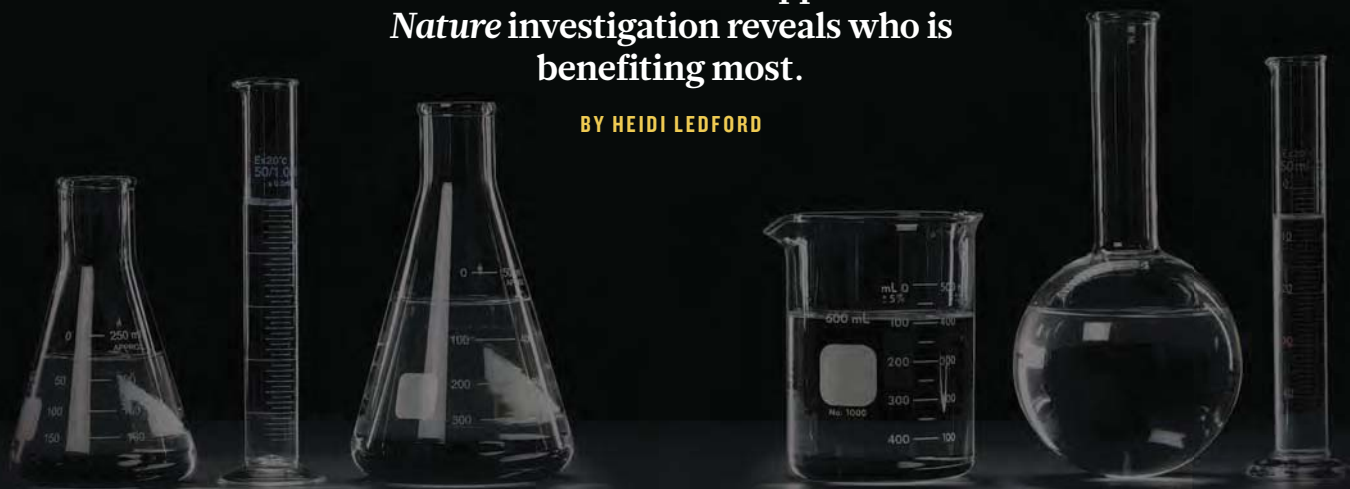
| | |
|---|-----|
| UMD SUBRECIPIENT PROFILE | 180 |
| UMD FOREIGN SUBRECIPIENT PROFILE | 182 |
| RISK ASSESSMENT FORM | 184 |
| COST ANALYSIS AND AUDIT RESOLUTION BRANCH (CAAR): SUBAWARDS AND SUBRECIPIENT MONITORING | 185 |
| AUSSIE UNIVERSITY ASKS FOR RETRACTION, INVESTIGATED FORMER NEUROLOGY RESEARCHER FOR FRAUD | 186 |
| PARKINSON'S RESEARCHER TO APPEAR IN COURT TO FACE FRAUD CHARGES | 187 |



KEEPING THE LIGHTS ON

Every year, the US government gives research institutions billions of dollars towards infrastructure and administrative support. A *Nature* investigation reveals who is benefiting most.

BY HEIDI LEDFORD



Last year, Stanford University in California received US\$358 million in biomedical-research funding from the US National Institutes of Health (NIH). Much of that money paid directly for the cutting-edge projects that make Stanford one of the top winners of NIH grants. But for every dollar that Stanford received for science, 31 cents went to pay for the less sexy side of research: about 15 cents for administrative support; 7 cents to operate and maintain facilities; 1 cent for equipment; and 2 cents for libraries, among other costs.

The NIH doled out more than \$5.7 billion in 2013 to cover these 'indirect' costs of doing research — about one-quarter of its \$22.5-billion outlay to institutions around the world (see 'Critical calculations'). That money has not been distributed evenly, however: research institutions negotiate individual rates with government authorities, a practice that is meant to compensate for the varying costs of doing business in different cities and different states. Data obtained by *Nature* through a Freedom of Information Act request reveal the disparities in the outcomes of these negotiations: the rates range from 20% to 85% at universities, and have an even wider spread at hospitals and non-profit research institutes. The highest negotiated rate in 2013, according to the data, was 103% — for the Boston Biomedical Research Institute (BBRI) in Watertown, Massachusetts. It went bankrupt and closed the same year.

Faculty members often chafe at high overheads, because they see them as eating up a portion of the NIH budget that could be spent on research. And lack of transparency about how the money is spent can raise suspicions. "Sometimes faculty feel like they're at the end of the Colorado River," says Joel Norris, a climatologist at the University of California, San Diego. "And all the water's been diverted before it gets to them."

Nature compared the negotiated rates, as provided by the US Department of Health and Human Services, to the actual awards given to more than 600 hospitals, non-profit research institutions and universities listed in RePORTER, a public database of NIH funding (see 'Overheads under the microscope'). The analysis shows that institutions often receive much less than what they have negotiated, thanks to numerous restrictions placed on what and how much they can claim. Administrators say that these conditions make it difficult to recoup the cash they spend on infrastructure.

In addition, new administrative regulations have meant that universities have had to increase their spending, even as federal and state funding for research has diminished. "We lose money on every piece of research that we do," says Maria Zuber, vice-president for research at the Massachusetts Institute of Technology (MIT) in Cambridge, which has negotiated a rate of 56%.

But many worry that the negotiation process

allows universities to lavish money on new buildings and bloated administrations. "The current system is perverse," says Richard Vedder, an economist at Ohio University in Athens who studies university financing. "There is a tendency to promote wasteful spending."

GLOBAL DISPARITY

Reimbursement for overheads is dealt with differently around the world. The United Kingdom calculates indirect costs on a per-project basis. Japan has a flat rate of 30%. And last year, to the dismay of some institutions, the European Union announced that it would no longer negotiate rates and instituted a flat rate of 25% for all grant recipients in its Horizon 2020 funding programme (see *Nature* 499, 18–19; 2013).

The comparatively high overhead reimbursement in the United States has generated envy, and at times controversy. About 20 years ago, government auditors found that Stanford was using funds for indirect costs to cover the depreciation in value of its 22-metre yacht moored in San Francisco Bay, and to buy decorations for the president's house, including a \$1,200 chest of drawers.

Other universities — including MIT and Harvard University in Cambridge — soon came forward to correct overhead claims that they feared would be perceived as inappropriate. In the end, Stanford paid the government \$1.2 million and accepted a large reduction — from 70% to 55.5% — in its negotiated rate. But the damage was done. The government layered on new regulations, including an explicit ban on reimbursement for housing and personal living expenses, and a 26% cap on administrative costs, although only for universities.

Two decades later, researchers still worry that the system carries the taint of impropriety.

CRITICAL CALCULATIONS

What are indirect costs?

Indirect costs — often called facilities-and-administrative costs — are expenses that are not directly associated with any one research project. This includes libraries, electricity, administrative expenses, facilities maintenance and building and equipment depreciation, among other things.

The United States began reimbursing universities for indirect costs in the 1950s, as part of a push to encourage more research. An initial cap was set at 8%, but that had risen to 20% by 1966, when the government began to allow institutions to negotiate their rates. Institutions were assigned to negotiate with either the US Department of Health and Human Services or the Office of Naval Research, depending on which supplied the bulk of their research funding. And the agreed rate holds across

all federal funders, irrespective of where the negotiations took place.

A common misconception is that indirect-cost rates are expressed as a percentage of the total grant, so a rate of 50% would mean that half of the award goes to overheads. Instead, they are expressed as a percentage of the direct costs to fund the research. So, a rate of 50% means that an institution receiving \$150 million will get \$100 million for the research and \$50 million, or one-third of the total, for indirect costs. But there are multiple caps that lower the base amount from which the indirect rate is calculated, or that limit the amount of money that a research institution can request. So very few institutions receive the full negotiated rate on the direct funding they receive. **H.L.**

Administrators say that changes at some institutions — such as increased transparency about spending and how indirect costs are calculated — have allayed faculty concerns. But not everywhere. "People often think this is about secretarial staff and bloating the mid-level research administration," says Tobin Smith, vice-president for policy at the Association of American Universities in Washington DC. "The faculty doesn't often think about all the other costs: the lights are on, the heat is on, you're using online services the university provides."

Despite the high level of scrutiny for universities, they did not top the chart for negotiated rates in the data that *Nature* collected. Few universities have rates above 70%, and they would probably face an outcry from faculty if they raised rates too high, says Samuel Traina, vice-chancellor for research at the University of California, Merced.

No such threshold seems to exist at non-profit research institutes: more than one-quarter of the 198 institutes for which *Nature* obtained data negotiated rates above 70%. Fourteen of them have rates of 90% or higher, meaning that their indirect costs come close to equalling their direct research funding. According to Robert Forrester, an independent consultant in Belmont, Massachusetts, who helps institutions to determine their indirect costs, these institutes need to negotiate higher rates because the entire facility is dedicated to research, whereas universities and hospitals also use facilities for other things, such as teaching, that generate funding and must share the burden.

Comparisons of negotiated rates against the RePORTER data mined by *Nature* come with caveats. For example, many smaller institutions negotiate a provisional rate with the NIH that is later adjusted to match actual overhead costs,

OVERHEADS UNDER THE MICROSCOPE

In 2013, the US National Institutes of Health (NIH) awarded more than US\$5 billion to research institutes for indirect costs: shared overhead expenses such as lighting, heat and maintenance. Institutes negotiate the rate at which they will be reimbursed, and it is expressed as a percentage of the direct costs for research in a grant. Data obtained by *Nature* reveal the disparity in the outcomes of these negotiations and show that the amount received is usually much lower than that negotiated.



UNIVERSITIES

Received \$3.9 billion, at an average rate of 31%

NON-PROFITS

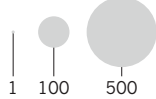
Received \$611 million, at an average rate of 38%

HOSPITALS

Received \$550 million, at an average rate of 38%

BOSTON BIOMEDICAL RESEARCH INSTITUTE
(funding figures from 2012)
Total funding: \$5,802,769
Negotiated rate: 103%
Calculated rate: 67%

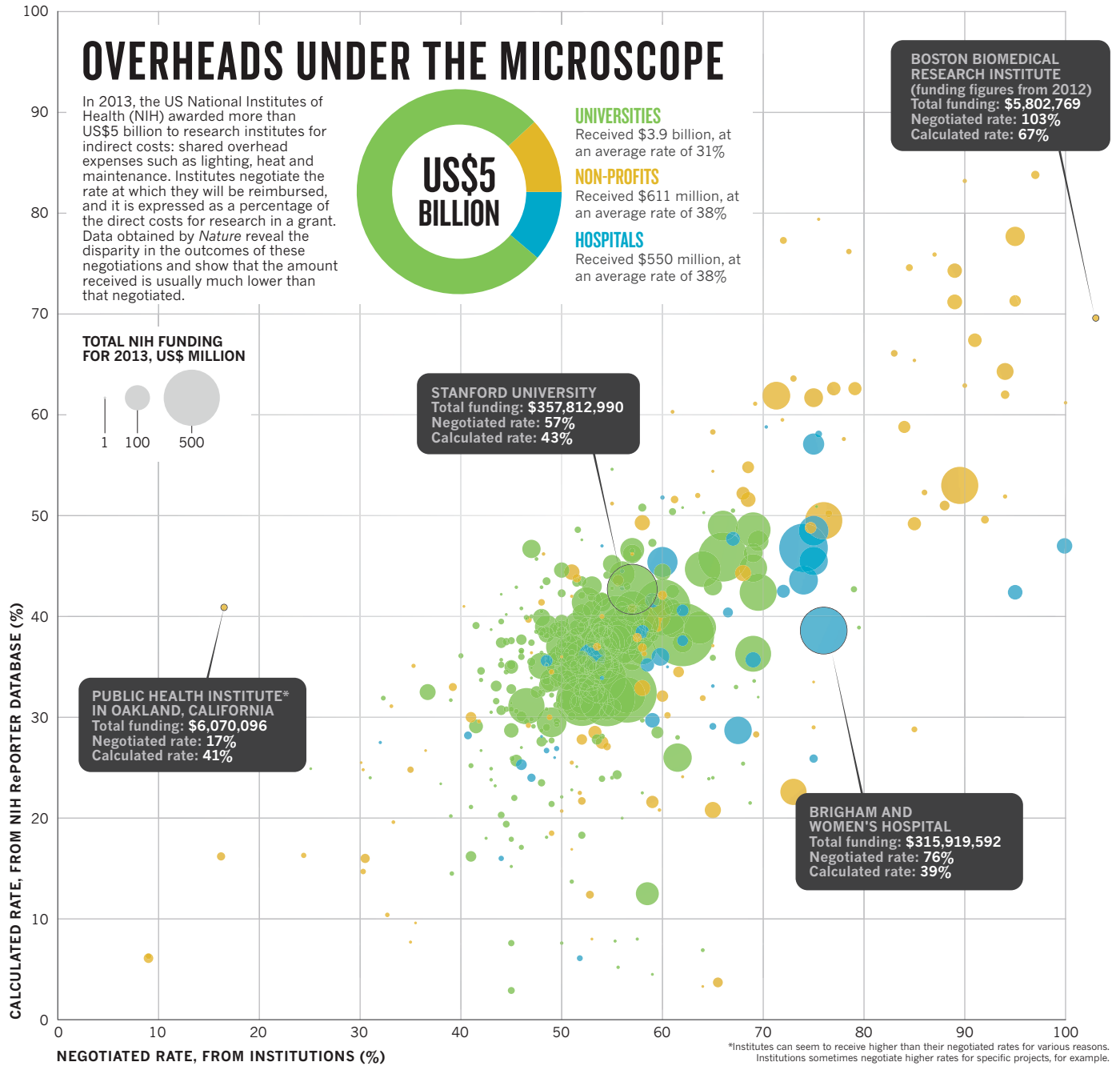
TOTAL NIH FUNDING FOR 2013, US\$ MILLION



STANFORD UNIVERSITY
Total funding: \$357,812,990
Negotiated rate: 57%
Calculated rate: 43%

PUBLIC HEALTH INSTITUTE* IN OAKLAND, CALIFORNIA
Total funding: \$6,070,096
Negotiated rate: 17%
Calculated rate: 41%

BRIGHAM AND WOMEN'S HOSPITAL
Total funding: \$315,919,592
Negotiated rate: 76%
Calculated rate: 39%



*Institutes can seem to receive higher than their negotiated rates for various reasons. Institutions sometimes negotiate higher rates for specific projects, for example.

TOP 10 EARNERS

The 10 universities that get the most money from the NIH together received more than \$1.1 billion towards their indirect costs. Their negotiated and calculated rates were slightly higher than the average for all universities.

| INSTITUTION | TOTAL FUNDING | INDIRECT COSTS (%) | |
|---|---------------|--------------------|------------|
| | | NEGOTIATED | CALCULATED |
| 1 JOHNS HOPKINS UNIVERSITY | \$574,844,637 | 62 | 43 |
| 2 UNIVERSITY OF CALIFORNIA, SAN FRANCISCO | \$501,656,900 | 60 | 41 |
| 3 UNIVERSITY OF WASHINGTON | \$454,274,167 | 57 | 40 |
| 4 UNIVERSITY OF PENNSYLVANIA | \$451,194,908 | 57 | 39 |
| 5 UNIVERSITY OF MICHIGAN | \$412,016,862 | 57 | 38 |
| 6 UNIVERSITY OF PITTSBURGH | \$396,728,993 | 56 | 37 |
| 7 UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL | \$383,752,058 | 55 | 35 |
| 8 UNIVERSITY OF CALIFORNIA, SAN DIEGO | \$362,004,733 | 55 | 32 |
| 9 STANFORD UNIVERSITY | \$357,812,990 | 53 | 32 |
| 10 DUKE UNIVERSITY | \$350,249,092 | 52 | 32 |

NATURE.COM
For an interactive version and details on the methods used, see: go.nature.com/j9nefd

so some grants in RePORTER seem to have a reimbursed rate that exceeds the negotiated value. A change to the negotiated rate in the middle of a year can also cause a disconnect between the data *Nature* obtained and the rates given in RePORTER.

But overall, the data support administrators' assertions that their actual recovery of indirect costs often falls well below their negotiated rates. Overall, the average negotiated rate is 53%, and the average reimbursed rate is 34%.

The shortfall is largely due to caps imposed by the NIH on some grants and expenditures, says Tony DeCrappeo, president of the Council on Governmental Relations (COGR), an association in Washington DC that is focused on university finance. Some training grants, such as 'K' awards for early-career investigators, cap indirect costs at 8%. The NIH also does not award money for conference grants, fellowships or construction. And it has placed limits on specific categories, such as costs associated with research using genomic microarrays.

Such restrictions can make it hard to make ends meet, says Eaton Lattman, who heads the Hauptman-Woodward Medical Research Institute in Buffalo, New York. The institute negotiated a rate of 94%, but received just 52%. Although it does not incur some of the costly administrative burdens of hospitals or universities, it still fails to recoup its full investment on research, Lattman says.

The increasing competition for NIH grants is a major factor in that. Because funds for indirect costs cannot be used to support researchers who lose grants or have yet to win one, Hauptman-Woodward must draw from its endowment to keep them working until they can support themselves. "If you don't want to kill their research career, you have to provide bridge funding," Lattman says.

The BBRI faced similar strains. The institute was dependent on NIH funding, and could not cope when the NIH budget tightened and faculty members brought in less grant money (see *Nature* 491, 510; 2012). "The general cost of operating the organization did not diminish as fast as the direct dollars," says Charles Emerson, former head of the institute and now a developmental biologist at the University of Massachusetts Medical School in Worcester. "So we were able to negotiate a higher rate at the end of our time there, just to keep the operation going."

By 2012, the BBRI's negotiated rate had swelled to 103%, the highest for any organization in the data provided to *Nature*. But it ended up recouping just 70%, or \$2.4 million on \$3.4 million in direct funding.

Although non-profit institutes command high rates, together they got just \$611 million of the NIH's money for indirect costs. The higher-learning institutes for which *Nature* obtained data received \$3.9 billion, with more than \$1 billion of that going to just nine institutions, including Johns Hopkins University in Baltimore, Maryland, and Stanford (see "Top 10

earners"). At 38%, the average rate for these nine institutions is about 4% higher than that for all institutions with available data. But the range for higher-learning institutions was wide, with one receiving 62% (York College in Jamaica, New York), and one receiving just under 3% (Dillard University in New Orleans, Louisiana).

SHORT CHANGE

Even if universities did receive the full, negotiated rate, it would still be less than the actual costs of supporting research, says DeCrappeo. The cap on administrative costs that emerged in the wake of the Stanford scandal has remained

"THE RESEARCH BUREAUCRACY HAS INFLATED WILDLY IN UNIVERSITIES AND IT IS EXPENSIVE."

unchanged even though administrative burdens have swelled. COGR members maintain that their actual costs are about 5% higher than the cap, says DeCrappeo. The rest of the money must come from other revenue, such as tuition fees, donations and endowments.

The best solution, according to Barry Bozeman, who studies technology policy at Arizona State University in Phoenix, is not to raise the cap, but to cut costs by getting rid of administrative rules and regulations that are simply wasting time and money. "The research bureaucracy has inflated wildly in universities and it is expensive." That inflation, he says, is evident in grant applications. Thirty years ago, administrative requirements associated with grants were relatively low. "Nowadays, the actual content of the proposal — what people are going to do and why it's important — is always a small fraction of what they submit," he says.

As an illustration of the growing bureaucracy, DeCrappeo says that when the COGR began to keep a guide to regulatory requirements for its members in 1989, the document was 20 pages long. Now it is 127 pages. And Bozeman says that he has to fill out forms relating to the care of laboratory animals when he applies for grants, even though he has never used animals.

The regulatory burden can be particularly high for medical schools, which must adhere to regulations for human-subject research, privacy protection and financial conflicts of interest, among others. The Association of American Medical Colleges in Washington DC says that 70 of its members have spent \$22.6 million implementing conflicts-of-interest reporting guidelines that came into effect this year.

Other funders place strict limits on their

reimbursements. The US Department of Agriculture, for example, caps many of its reimbursements at 30%. Many philanthropic organizations do not reimburse for overheads at all, and those that do often pay less than the government rate (see *Nature* 504, 343; 2013). As a result, some institutions are reluctant to allow researchers to apply for such grants — providing another source of friction between faculty members and the administration.

Tight budgets and fierce competition for federal grants mean that faculty members are keenly sensitive to anything that might affect how much money they receive, says Lattman. Recipients of grants from the National Science Foundation (NSF) are particularly rankled, he says, because the NSF allocates money for indirect costs — at the federal negotiated rate — from the total grant awarded. In other words, researchers told that they will receive a \$1-million NSF grant might see only 60% of the money. The NIH, by contrast, typically gives faculty members the full \$1 million and then reimburses indirect costs in a separate payment to the university.

Even so, would-be NIH grant recipients often fear that a high indirect-cost rate at their institution will hurt their chances of getting a grant funded, despite the lack of evidence supporting any such trend. Others are troubled by the lack of transparency at many institutions as to how the indirect costs are calculated and the funds distributed. Because indirect-cost revenue is considered a reimbursement for money the university has already spent, much of the cash received from the government disappears into a university's general fund. "Faculty have always been somewhat in the dark," says Edward Yelin, who studies health policy at the University of California, San Francisco.

Although the payout for indirect costs is high, officials at the NIH say that the proportion of the NIH budget dedicated to overheads has held steady for more than two decades. When a 2013 report by the US Government Accountability Office warned that indirect costs could begin to eat up an increasing proportion of the NIH's research budget, the NIH countered that this was unlikely.

DeCrappeo is hopeful that regulations due to come into effect in December will rein in the proliferation of caps on indirect cost rates. The regulations will require officers at agencies such as the NIH to have any new caps on overhead reimbursement approved by the head of the agency and provide a public justification for the change. DeCrappeo says that this could lead to a more transparent process.

And for those who fret about where this money is going, DeCrappeo urges them to look beyond their own research programmes. "If all you're concerned about is the direct costs, it won't take long for your facilities to deteriorate," he says. "You can't do research on the quad." ■

Heidi Ledford writes for *Nature* from Cambridge, Massachusetts.

THE CHRONICLE OF HIGHER EDUCATION



The Conversation

Opinion and ideas.

November 13, 2014 by David Scholnick

How a \$47 Shrimp Treadmill Became a \$3-Million Political Plaything



<http://chronicle.com/blogs/conversation/files/2014/11/shrimp-treadmill.jpg>) Over the past few years numerous media stories have surfaced about how hard-earned taxpayer dollars are supporting scientists who run shrimp on treadmills: [Forbes.com](http://www.forbes.com/pictures/ejde45i/treadmills-for-shrimp-3-million/) (<http://www.forbes.com/pictures/ejde45i/treadmills-for-shrimp-3-million/>) listed shrimp-treadmill research as wasting \$3-million in taxpayer dollars, AARP produced a [nationally distributed commercial](http://blog.aarp.org/2011/06/16/shrimp-on-treadmills-or-your-benefits/) (<http://blog.aarp.org/2011/06/16/shrimp-on-treadmills-or-your-benefits/>) of lab-coat-wearing scientists running shrimp on treadmills to equate the lack of federal support for retiree health-care services to money spent on shrimp-treadmill research, and [Mike Huckabee](http://video.foxnews.com/v/4702917/huckabee-shrimp-on-a-treadmill/#sp=show-clips) (<http://video.foxnews.com/v/4702917/huckabee-shrimp-on-a-treadmill/#sp=show-clips>) linked the National Science Foundation's funding of shrimp-treadmill studies to limited military spending.

A video clip of a shrimp running on a treadmill has somehow become the nation's poster child for wasteful spending and grounds for the Republican-led House of Representatives science committee to recently investigate wasteful spending of NSF-funded research projects across the country.

My name is David, and I am the marine biologist who put a shrimp on a treadmill—a burden I will forever carry. To be clear, the treadmill did not cost millions of taxpayer dollars, the goal of the research was not to exercise shrimp, and the government did not pay me—or anyone else—to work out shrimp on treadmills.

Simply put, my colleagues and I were studying how recent changes in the oceans could potentially affect the ability of marine organisms to fight infections—an important question, given that the amount of bacteria a shrimp is able to remove from its body is directly related to how much bacteria could potentially end up on seafood-filled plates. And since shrimp are active animals in nature, it was logical to study the immune response of shrimp during activity.

Exactly how much taxpayer money did go into the now-famous shrimp treadmill? The treadmill was, in fact, made from spare parts—an old truck inner tube was used for the tread, the bearings were borrowed from a skateboard, and a used pump motor was salvaged to power the treadmill. The total price for the highly publicized icon of wasteful government research spending? Less than \$50. (All of which I paid for out of my own pocket.)

In science it is often necessary to develop creative solutions to complex problems. How do you get active marine animals to move naturally in a laboratory setting? How do marine animals fight off the glut of pathogens they are exposed to in the harsh environments where they live? These are not simple questions, there are no easy solutions, and they require an enormous amount of time and effort to answer. It is, of course, impossible to understand the meaning and value of complex experiments from a short shrimp video clip pilfered from my faculty webpage and posted to YouTube (<https://www.youtube.com/watch?v=BUe78awZMT0>).

It is disingenuous for the Republican-controlled House Committee on Science, Space and Technology to promote the idea that scientists are wasting millions of taxpayer dollars to run shrimp on treadmills based on a 30-second video clip. Given that every teaspoon of seawater can contain millions of bacteria, it does not take a mental giant to understand that the health of marine organisms and the safety of the seafood we eat are closely related.

The health of the organisms that inhabit the largest ecosystem on the planet and the potential bacterial contamination of the food we eat are serious and important questions. I, like many of my colleagues, are deeply concerned by the minimization and politicization of our work.

In an effort to put an end to the erroneous media reports of wasteful government sponsored shrimp-treadmill research, I am willing to put my infamous treadmill up for sale. All profits will go toward supporting marine-biology research so that grandmothers across the country will no

longer be denied medication, our heroic soldiers fighting abroad might be able to get the military equipment they need, and the House science committee can rest easy knowing that they can once again eat fat juicy shrimp—free of bacteria—without using up government funds. For the bargain price of \$1-million (shrimp not included)—that’s 67 percent off the price listed by Forbes.com—a lucky individual, perhaps Rep. Lamar Smith (the Texas Republican and chairman of the House science committee), can literally put their money and their shrimp where their mouth is.

David Scholnick is a professor of marine biology at Pacific University in Forest Grove, Oregon.

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POLITICO

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Next battle in the war on science

The GOP Congress is ready to attack science agency funding in 2015.

By **MAGGIE SEVERNS** | 11/27/14 7:58 AM EST



AP Photo

The war over science is heating up on Capitol Hill.

GOP House members have had little success reining in research agencies so far, but, emboldened by their growing majorities, they're hoping for better luck next year. They plan to push proposals to cut funding for global warming and social science research, put strict new rules on the National Science Foundation's grant-making process and overhaul how science informs policy making at the EPA.

At the same time, however, researchers and their advocates in the Democratic caucus are taking increasingly aggressive stances of their own: Rather than answer GOP objections one by one, or brush them off, they're making a larger issue of what

they see as heavy-handed interference based on ideology rather than methodology.

Indeed, some Republicans have already accused NSF of wasting millions on useless projects — even one that could be used to censor free speech, they say. House aides have been sent to NSF's headquarters to comb documents for signs of bad decision making. And the Ebola epidemic unleashed a wave of criticism — including a demand from Sen. Rand Paul for an explanation why the National Institutes of Health was spending money developing an “origami condom” instead of an Ebola vaccine.

Opponents in the scientific world and their political allies believe that, at its heart, the GOP assault isn't about bringing greater accountability to the EPA or NSF, but rather a larger lack of trust in science that could soon spur efforts to micromanage NIH, the Department of Defense and other agencies that, all told, spend tens of billions on scientific research every year.

“I think we can destroy our own research — and we can get criticized by others around the world on the direction we're taking — in the next two years,” Texas Democratic Rep. Eddie Bernice Johnson, the ranking member on the House Science, Space and Technology Committee, said. Johnson has grown increasingly vocal in denouncing the direction the committee has taken: In the past, committee members say it was an unusually bipartisan body even when relations among the rest of Congress were strained.

The chamber passed a series of bills this month to tighten its reins on the EPA. One bans the agency from drawing on so-called secret science by requiring the agency to disclose any data it uses in the name of transparency. The EPA has issued air quality rules that drew on major epidemiological studies by the American Cancer Society and Harvard University, for example, but because researchers protected the identities of the individuals who served as subjects, the full data isn't publicly available.

The House Committee on Science, Space and Technology, chaired by Rep. Lamar Smith (R-Texas), has become the nucleus of the battle with NSF and EPA. Smith considers himself an advocate for science, but for more than a year he has maintained lists of individual scientific grants for research he thinks aren't in taxpayers' best interest, in hopes of prodding NSF into making different decisions.

But researchers warn that funding only science that appears politically safe will stifle innovation and say that the agency actually does an impressive job of choosing which projects to fund. “Recent research on massaging baby rats with a tiny brush, for example, probably looked frivolous to outsiders but actually led to successful new medical treatments for premature human babies, a project that won the “Golden Goose Award,” issued by the Association of American Universities and other groups, for research that looks obscure but has led to major breakthroughs.

They hoped the NSF’s new director, France Córdova, could breathe fresh air into the relationship when she came on board in spring of 2014. Córdova has been pounding the pavement on Capitol Hill and meeting frequently with legislators, an unusual move for a director of the agency.

But relations between Córdova and Smith were tested almost immediately. Smith had been requesting information on specific NSF grants for months that the agency has refused to hand over in full, and he wrote the director to follow up as soon as she took over NSF.

Córdova is walking a thin line to try to please Congress and protect researchers and grant reviewers. She and Smith have come to an unusual arrangement: Science committee staff can view the documents by appointment at NSF’s headquarters in Virginia. Some information, such as names of people who review grant applications, is redacted and they can’t take any paperwork with them. Smith maintains that this agreement shouldn’t be permanent and said he hopes the NSF will make it easier to his staff to access the information in the future.

An NSF-funded Indiana University grant called Truthy — with a wink to Stephen Colbert — caught Smith’s attention most recently. The \$1 million grant was for research on how information spreads on Twitter. But parts of the grant proposal sounded alarm bells and [conservative media](#) zeroed in on the prospect that Truthy could be used to curb free speech and censor the Internet.

After the Washington Free Beacon and Fox News ran [articles](#) questioning NSF’s judgment in issuing the Truthy grant, Smith said in a statement that “the NSF is out of touch and out of control” and that the grant looks even more inappropriate than others he’s studied. In a [letter](#) to Córdova he asked for all available information on

the grant, as soon as possible.

Johnson, for her part, has had questions of her own on how the conservative media has gotten hold of information on specific grants. A Fox News article published this fall on one NSF grant included information that was not public — but it had been reviewed by the House Science Committee staff. In [a letter to Smith](#), Johnson questioned how Fox News got information that had only been seen by the NSF and the committee. A leak like that would likely be “an effort to embarrass the agency and the grantee,” she wrote in the letter.

Córdova told POLITICO earlier this fall that the agency could do a better job of explaining its research, especially in the Internet age when information on NSF grants is available at the click of a button. Improving communication with the public is a key part of her mission as the head of the NSF.

“There’s responsibility on both sides,” Córdova said. Congressmen have privately told her that silly names and abstracts for grants were part of the problem because they elicit complaints from constituents, she said. And the NSF has a new policy to encourage higher-ups at the agency to think more about grants’ packaging. Having a “clearer narrative” about what the agency does will help both the public and members of Congress understand NSF’s mission better, she said.

But some in the research community say damage is already being done. With Smith’s high-profile oversight, researchers will be less likely to apply for grants to fund unorthodox-sounding — but potentially groundbreaking — research projects in future years, leaders of the Association of American Universities said recently in [a statement](#).

“Scientists and engineers, particularly young ones, should not be discouraged from pursuing unconventional, often groundbreaking scientific research,” AAU’s board of directors, who represent leading research universities, said earlier this month. The group also criticized Smith for what they said appears to be an arbitrary process for deciding which grants to call out.

The intense focus on the NSF’s peer review process may have a “chilling effect,” one D.C. lobbyist said. These concerns build on worries that recent sequester-related cuts

hurt NSF and NIH's research capacities.

Research groups and universities have traditionally had strong bipartisan support from Congress and are hesitant to take sides or get embroiled in political battles that could isolate supporters.

But they're coming around to the idea of putting more heat on Congress and trying to involve the business community — which often benefits from the basic research conducted at NSF — in pushing back the tide as well, a House aide said.

That will include battling a bill called the Frontiers in Innovation, Research, Science and Technology Act, which passed the House Science Committee this year and which Smith said he plans to resurrect in the next Congress. That would place significant new [regulations](#) on how the NSF goes about choosing science projects to fund and distributing money. Research groups were strongly opposed to the bill and said it reflected a lack of trust in the NSF.

Rep. Larry Bucshon (R-Ind.), who chairs the science subcommittee that handles NSF, said he's optimistic about FIRST Act's prospects going forward and thinks the bill strikes a good balance between too much and too little oversight for the agency.

Bucshon also has a watchful eye on NIH, which in October came under criticism from Sen. Rand Paul when its director, Francis Collins, claimed that the agency would have been farther along on an Ebola vaccine if it weren't for budget cuts in recent years.

"Have you seen what the NIH spends money on?" Paul [asked](#). He singled out grants that tackled fruit fly mating and an "origami condom." (The condom was made to better protect people from STDs and its creators [say](#) on their website they plan to make it available for public use next year.)

Bucshon said he combed through the agency's programs to see how they were funding Ebola research — and came up mostly dry — begging some of the same questions about NIH that he's had about NSF.

But GOP efforts to take greater control over the way agencies decide what research to fund aren't always focused on oversight: In some cases lawmakers have sought to

dictate themselves which projects get funded.

In one case last year, Congress passed a law called the Gabriella Miller Kids First Research Act that steered a small pool of money out of public funding for presidential campaigns and into pediatric research; Congress traditionally funds NIH through block grants so the agency has control over what diseases to focus research money on. The bill was a pet project for House Majority Leader Eric Cantor.

Congressional skepticism of social science dates back decades to Sen. William Proxmire (D-Wis.), who singled out research projects as examples of government waste via his “Golden Fleece” award. In recent years, it has become an interest of Sen. Tom Coburn (R-Okla.), who spotlights government research that appears wasteful in his annual “Wastebook.”

Coburn successfully pushed an amendment restricting NSF funding of political science in 2013. Congress repealed it in January, again through the appropriations process. But the event was a lesson for many in the science community who were used to hearing congressional criticism of social science but never expected anything to make it through Congress.

Smith has taken a cue from Coburn’s playbook — sometimes literally. Many of the NSF grants about which he has requested information were singled out first by Coburn. Others appear to come from a list of questionable grants assembled by a Texas watchdog agency.

In the past, Democrats and Republicans on Smith’s committee have had strong bipartisan relationships, even in times when partisan tensions ran high. But changes in leadership and staff in recent years have changed their demeanor.

Still, some members such as Rep. Daniel Lipinski (D-Ill.) have tried hard to maintain ties across the aisle. Lipinski, one of the main negotiators on the FIRST Act, said he’s hoping that Republicans in the Senate such as Sen. Lamar Alexander (R-Tenn.) will be advocates for the scientific community going forward. Alexander is a longtime advocate for research funding and was a key figure in pushing the last bipartisan reauthorization of NSF through the Senate.

Johnson, too, said she has hopes that the committee will learn how to work together

better. She and Smith are both from Texas and often talk on the plane rides to and from her home state, she said.

“I try to talk with him,” Johnson said. “He normally says it’s the leadership — I have no way to dispute that.”

Boehner: Brace Yourself for Another Government Shutdown

By Katherine McIntire Peters

June 5, 2015

As if the massive OPM data breach didn't give federal employees enough to worry about this week, on Friday, House Speaker John Boehner warned that a government shutdown could be on the horizon.

Citing [a story in *Politico*](#), Boehner said Democrats were planning to force another government shutdown by aggressively blocking appropriations bills unless the GOP agrees to raise federal spending. According to *Politico*, Senate Minority Leader Harry Reid vowed in a closed-door meeting this week with party leaders to block every spending measure raised in the chamber:

"For Democrats, the risks are worth it. By playing hardball this summer, they're attempting to force Republicans to the negotiating table and hasten a deal to raise strict spending caps, expanding funds for programs like education and infrastructure, among other Democratic priorities."

In news conferences and statements this week, lawmakers from both parties in both chambers traded jabs and expressed mounting frustration with opponents' tactics over appropriations, with Boehner [complaining](#) that "President Obama has vowed to veto any legislation that adheres to budget caps set in 2011 – caps that he proposed and insisted on."

Said Boehner:

This is dangerous, and at least one member of the president's party agrees. Rep. Pete Visclosky, D-Ind., said, "If the president is true to his veto threat, then we are playing a serious game of brinksmanship with [the Department of Defense] and the rest of the federal government."

It's going to be another long, hot summer in Washington.

By Katherine McIntire Peters

June 5, 2015

<http://www.govexec.com/federal-news/fedblog/2015/06/boehner-brace-yourself-another-government-shutdown/114595/>

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HOME

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BUSINESS

SPORT

RELIGION & LIFE

OUR SOURCES

SITEMAP

CONTACT US

Home / News / Congrats Young Scientists, You Face The Worst Research Funding In 50 Years

Congrats Young Scientists, You Face The Worst Research Funding In 50 Years

in News March 4, 2015

WASHINGTON — Young scientists entering biomedical investigate find themselves in a misfortune financial surroundings in a half a century, a conduct of a National Institutes of Health pronounced Tuesday.

In an coming before a House of Representatives Committee on Appropriations, Dr. Francis Collins offering a informed warning to lawmakers deliberation destiny appropriations for systematic research. Investments are descending relations to inflation, he said, forcing changes expected to snowball into a future.

"Given general trends," Collins said, citing a new essay in a medical biography JAMA, "the United States will relinquish a chronological general lead in biomedical investigate in a subsequent decade unless certain measures are undertaken."

Collins warned that these trends would remonstrate a destiny era of researchers that their margin was inhospitable. Fewer immature scientists would meant fewer systematic discoveries, creation it some-more formidable for companies to distinction and for open health authorities to ensure opposite diseases.

"This is a emanate that wakes me adult during night when we try to anticipate a destiny of where biomedical investigate can go in a United States," Collins said. "They are anticipating themselves in a conditions that is a slightest understanding of that prophesy in 50 years. They demeanour forward of them and see a some-more comparison scientists struggling to keep their labs going and pang rejecting after rejecting of grants that formerly would have been supportive. And they wonder, 'Do we unequivocally wish to pointer adult for that?' And many of them, regrettably, are creation a preference to travel away."

Sobering budgetary assessments are zero new from Collins, who heads a sovereign government's categorical funder of biomedical research. He has been priesthood a need for fast NIH budgeting for years, and has amplified those warnings given a spending cuts brought about by confiscation went into outcome in 2013. NIH has mislaid about 22 percent of a purchasing energy given 2003. In mercantile 2014, it was appropriated \$30.1 billion.

A two-year bipartisan bill agreement brought a proxy reprieve. But that agreement runs out in September.

Collins' coming in a House on Tuesday is expected a initial stump in a months-long debate arguing that a days of confiscation shouldn't return. The bill conditions for NIH, like each other sovereign agency, is capricious come September. Under stream law, non-defense discretionary spending would be \$493 billion in mercantile 2015, with only \$1 billion from mercantile 2015., according to a request put together by House Democrats. Without a change, appropriators will have small optic funding. If they did boost a NIH budget, it would come during a mistreat of other domestic programs.

A new news by a organisation United for Medical Research done transparent a high stakes of low systematic investigate funding. Compared with countries that have "made long-term commitments to boost their support of biomedical sciences," a news said, sovereign appropriation cuts are heading to "an erosion of America's preeminence in biomedicine."

"China is filing some-more patents in biomedicine than a U.S. — not only as a apportionment of GDP, yet positively some-more patents," Collins said. "And a consequences, we consider we can imagine, are going to be significant."

Members of Congress from both parties have attempted innovations to flue supports to NIH. Proposals have enclosed formulating an inducement account to inspire appropriators to make solid financial commitments; a biomedical investigate private-public bank; to mislay a NIH from a discretionary budget; to beget income by penalizing large curative companies that mangle a law; and to plead that a seclude no longer relates to NIH.

None of these have gained poignant traction in a new Congress, where some regressive members have criticized NIH for appropriation quixotic-sounding projects during a responsibility of vicious short-term needs.

Collins wasn't asked about this critique (though in a past, he has argued that scholarship appropriation

decisions are best done by counterpart examination and that even funny-sounding ideas might bear good fruit). He also didn't residence any new appropriation proposals during his two-hour coming on Tuesday morning. Instead, he offering a extended representation for lawmakers to account NIH in a approach that "that keeps adult with inflation, and a small bit."

The accepting he perceived underscores a problem and disappointment of his objective.

Rep. Tom Cole (R-Okla.) called a conference "the many renowned row we will see all event long." Rep. Rosa DeLauro (D-Conn.) called for a "group hug" among attendees. Rep. Nita Lowey (D-N.Y.) pronounced a contention was "so really exciting" and happily offering unrestrained for doubling NIH funding, that happened during a Clinton and Bush administrations. And Rep. Mike Simpson (R-Idaho) remarkable that, "the bipartisan inlet of this theme with this cabinet is flattering obvious."

Then Simpson delivered a sour pill. Everyone on a cabinet would like to "substantially boost a investigate we're doing," he said, "if we didn't have an \$18 trillion debt and \$500 billion necessity that we are carrying to understanding with during a same time, that creates it some-more difficult."

Article source: http://www.huffingtonpost.com/2015/03/03/francis-collins-nih-funding_n_6795900.html?utm_hp_ref=politics&ir=Politics

Audit Work Plans

OFFICE OF INSPECTOR GENERAL

U.S. Department of Health and Human Services

WORK PLAN

Fiscal Year 2015

Indian Health Service

➤ IHS—Hospital oversight

We will examine IHS's efforts to ensure that its hospitals provide quality inpatient care. We will examine IHS's efforts to monitor each hospital's ability to provide quality care and maintain compliance with Medicare conditions of participation (CoP) and will identify which quality or compliance problems are most common. IHS operates 28 acute care hospitals that provide inpatient care to eligible American Indians and Alaska Natives. IHS hospitals are monitored through periodic onsite surveys by CMS-approved accrediting organizations that assess compliance with Medicare CoPs. (OEI; 09-13-00280; 06-14-00010; expected issue date: FY 2015)

National Institutes of Health

➤ NIH—Superfund financial activities for fiscal year 2014

We will review payments, obligations, reimbursements, and other uses of Superfund money by NIH's National Institute of Environmental Health Sciences. Federal law and regulations require that OIG conduct an annual audit of the Institute's Superfund activities. (Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9611(k).) (OAS; W-00-15-59050; expected issue date: FY 2015)

➤ NIH—Extramural construction grants

We will perform reviews at facilities that received extramural construction grants to determine whether funds were spent in accordance with Federal requirements. We will determine whether appropriate bidding procedures were followed and whether expenditures were allowable under the terms of the grants and applicable Federal requirements. Extramural construction grants are awarded to build, renovate, or repair non-Federal biomedical and behavioral research facilities. The intended recipients of these awards are institutions of higher education as well as nonprofit and regional organizations across the country. (42 CFR Part 52b, 45 CFR Part 74, 2 CFR Part 215, 2 CFR Part 220, and 2 CFR Part 225.) (OAS; W-00-13-50042; various reviews; expected issue date: FY 2015)

➤ NIH—Colleges' and universities' compliance with cost principles

We will assess colleges' and universities' compliance with selected cost principles issued by OMB in Circular A-21, *Cost Principles for Educational Institutions*. We will conduct reviews at selected colleges and universities on the basis of the dollar value of Federal grants received and on input from HHS operating divisions and the offices of the Assistant Secretary for Financial Resources and the Assistant Secretary for Administration. (OAS; W-00-13-50037; various reviews; expected issue date: FY 2015)

➤ NIH—Oversight of grants management policy implementation

We will examine NIH's oversight of three basic requirements for postaward grants administration among the 24 institutes and centers (ICs) that award extramural grants. We will also examine NIH's

oversight of each IC's compliance with regulations, HHS directives, and agency policies. NIH issues grants administration policy to the ICs and oversees ICs' compliance with Federal regulations and HHS guidance. Each IC maintains a Grants Administration Office that implements its own procedures. Federal regulations establish uniform administrative requirements governing HHS grants. (45 CFR Parts 74 and 92.) The HHS *Grants Policy Directives* and the NIH *Grants Policy Statement* provide guidance on implementing the regulations. (OEI; 07-11-00190; expected issue date: FY 2015)

➤ **NIH—Use of appropriated funds for contracting**

We will review the appropriateness of NIH's obligation of appropriated funds for the services it obtains through contracts to ensure that appropriated funds were used only during their period of availability in accordance with the Anti-Deficiency Act of 1950 (Anti-Deficiency Act) and were used only for a bona fide need arising in the fiscal year for which the appropriation was made. We will review contracts and contract modifications to quantify any errors. Prior reviews identified problems in the use of appropriated funds for various NIH contracts. Key provisions of the Anti-Deficiency Act prohibit the Government from obligating or expending funds in advance of an appropriation unless authorized by law. (31 U.S.C § 1341(a)(1).) Also, appropriations may be used only for bona fide needs arising in the fiscal year for which the appropriation was made. (31 U.S.C. § 1502.) We will issue a summary report of corrective actions taken to address weaknesses identified in our reports. (OAS; W-00-10-52314; various reviews; expected issue date: FY 2015)

Substance Abuse and Mental Health Services Administration

➤ **SAMHSA—Reporting and oversight of the Substance Abuse Prevention and Treatment Block Grant program performance**

We will assess the data collection methods used by States to report on national outcome measures (NOMs) for the Substance Abuse Prevention and Treatment Block Grant (SAPTBG) program. We will also determine the extent to which SAMHSA oversees States' reporting of NOMs. SAMHSA is required to collect performance data and analyze the effectiveness of its programs, including the SAPTBG program. To do so, SAMHSA developed NOMs that aim to measure performance and improve accountability. However, SAMHSA has acknowledged a lack of specificity, uniformity, and quality in its data collection and reporting procedures. (OEI; 04-12-00160; expected issue date: FY 2015)

Other Public-Health-Related Reviews

➤ **Audits of Hurricane Sandy Disaster Relief Act (new)**

The Disaster Relief Appropriations Act, 2013, P.L. No. 113-2 (Disaster Relief Act), provided funding to HHS for use in aiding Hurricane Sandy disaster victims and their communities. After sequestration, HHS received \$759.5 million in Disaster Relief Act funding. Of this amount, \$733.6 million was allocated to three operating divisions: the Administration for Children and Families, NIH, and

Message from the Assistant Inspector General for Audit

I am pleased to provide the National Science Foundation (NSF) Office of Inspector General (OIG) Audit Work Plan for fiscal year (FY) 2015. This Plan describes the five major areas for audits, inspections, and reviews in FY 2015: 1) Relocation of NSF Headquarters; 2) Health and Safety in the U.S. Antarctic Program; 3) Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds; 4) Assessment of Payroll Certification Projects; and 5) Financial and/or Program Accountability. For the Plan, we solicited input from a variety of sources, including Congress, the National Science Board, NSF management, and OIG staff.

To identify higher risk awardees to audit, we perform data analytics on a variety of NSF and external databases and sources. After we select awardees, we again use data analytics to identify areas at high risk of misuse of NSF funds. Data analytics increases the effectiveness and efficiency of audits, because it enables examination of 100 percent of transactions and reveals anomalies that indicate possible unallowable or unreasonable expenditures, or funds spent for awards other than those for which they were provided.

In addition, we have done extensive outreach and have increased communication to the research community, Congressional stakeholders, NSF, and others to give a clear understanding of our work. It is noteworthy that a number of institutions under audit have expressed their intention to develop data analytics units in their sponsored research offices to help proactively identify high risk activity. Finally, our outreach efforts help support institutions that have begun to use data analytics to gain better insight into their use of federal research funds.

To assess Financial and/or Program Accountability, we will monitor the audits of NSF's FYs 2014 and 2015 financial statements, and the independent evaluations of NSF's information security program. These audits and evaluations, which are required by law, are performed by an independent public accounting firm, whose services OIG has procured. We will also audit NSF's compliance with the Improper Payment Elimination and Recovery Act of 2010, for the period October 1, 2013, through September 30, 2014. In addition, we plan to conduct internal performance audits or inspections of four NSF programs and operations: management fees, travel cards, conference spending, and cloud computing. Our FY 2015 Plan also includes 19 new incurred cost audits of NSF awardees, and 17 carryover audits of awardees that received ARRA funds from NSF. Also, we will continue to review selected single audits to determine if they comply with the Single Audit Act, and to conduct quality control reviews of selected single audits.

Although this Work Plan provides a framework for the audits, inspections, and reviews we intend to undertake in FY 2015, it is subject to change should unanticipated higher risk issues develop in the course of the year. We need to be flexible in order to meet such other priorities. We look forward to continuing to work with NSF management and Congress in meeting our Work Plan goals.



Dr. Brett M. Baker
Assistant Inspector General for Audit

OFFICE OF INSPECTOR GENERAL

U.S. Department of Health and Human Services

SEMIANNUAL REPORT TO CONGRESS

October 1, 2014 – March 31, 2015

Other HHS-related reviews

Grants and Contracts

Payroll Certification System Pilot

- *The University of California at Irvine's Pilot Payroll Certification System Could Not Be Assessed. A-04-13-01027. 2014 December.*

We could not determine whether the University of California—Irvine's (the University's) pilot payroll certification system provided data that supported labor charges that it made to its Federal awards because it could not reconcile its accounting records to its Federal financial reports (FFRs). As a result, we cannot determine whether the University certified, reported, or claimed labor costs and associated fringe benefits that accurately reflected the actual effort its personnel had devoted to Federal awards. Although the University did not concur, OIG continues to recommend that the University:

- reconcile the \$491.3 million it had reported on its FFRs to its accounting records and
- modify its financial management system to ensure that amounts it reports on its FFRs can be supported by amounts recorded in its accounting records.

Grant fraud

HHS is the largest grantmaking organization and one of the largest contracting agencies in the Federal Government. In FY 2014, HHS awarded over \$381 billion in grants and over \$21 billion in contracts across all program areas. OIG's direct annual discretionary appropriation funding is used to conduct program integrity and enforcement activities with regard to the over 100 public health and human services programs carried out by over 70,000 employees around the world. The size and scope of departmental awards make their operating effectiveness crucial to the success of programs designed to improve the health and well-being of the public. Recent appropriations increased OIG's discretionary funding for public health and human services oversight.

Misuse of Grant Funds Examples:

Maryland – Jason Dietz was sentenced to 1½ years in prison and ordered to pay \$683,705 in restitution after pleading guilty to theft from programs receiving Federal funds. Dietz worked for Matthews Media Group (MMG), which was contracted by the National Institute for Drug Abuse (NIDA) to recruit, screen, and compensate participants for clinical research studies involving drug addiction and treatment. Dietz was also responsible for keeping a spreadsheet of participants' compensation with supporting documentation. **The investigation revealed that Dietz embezzled funds from MMG in several ways, including paying study participants and obtaining a signed receipt from them, then logging a higher amount on his spreadsheet and pocketing the difference.** Dietz also created fictitious receipt numbers and amounts, which he placed on his spreadsheet, and then kept all the cash from these fictitious payments. In addition, Dietz documented on his spreadsheet higher amounts than were actually paid to

employees at one of the NIDA clinics and pocketed the difference. The investigation determined that Dietz embezzled, stole, and converted to his own use funds in excess of \$570,000.

Illinois – Charles Bennett entered into a \$475,000 settlement agreement to resolve allegations under the FCA. Bennett was a former employee and researcher at Northwestern University's (Northwestern's) Robert H. Lurie Comprehensive Cancer Center, a grantee of NIH. The Government alleged that Bennett submitted, or caused the submission of, false claims to NIH for unallowable grant expenditures incurred in connection with research projects for which he served as the principal investigator. Specifically, between January 2003 and August 2010, Bennett allegedly misspent grant funds on professional and consulting services, including those performed by unqualified family members. Bennett also allegedly misspent NIH grant funds on airfare and other transportation, conference registration fees, meals, hotel stays, and other items that were for his personal benefit or were for the personal benefit of friends and family. The grants at issue involved research on adverse drug events, multiple myeloma drugs, a rare blood disorder, and quality of care for cancer patients.

New York – The Trustees of Columbia University in the City of New York and ICAP, f/k/a International Center for AIDS Care and Treatment Programs (collectively, Columbia), agreed to pay \$9 million to resolve allegations under the FCA. The United States contended that Columbia submitted false claims in connection with Federal grants obtained to fund ICAP's AIDS- and HIV-related work. As the grant administrator on behalf of ICAP, Columbia received millions of dollars in Federal grants and, pursuant to the rules applicable to such grants, was required to verify that ICAP's nearly 200 employees located in New York City had actually performed the work charged to a particular grant. The United States alleged that Columbia was aware that employee work was not being verified and that Columbia continued to falsely charge Federal grants for work that was not devoted to the projects being funded by CDC, HRSA, NIH, and other HHS granting agencies.

Small Business Innovative Research Program

The National Defense Authorization Act for Fiscal Year 2012, § 5143, requires OIG to annually report on the number of cases that were referred to it related to fraud, waste, or abuse in the Small Business Innovative Research/Small Business Technology Transfer (SBIR/STTR) program; the actions taken in each case; justification for not taking action on a case; and an accounting of funds used to address waste, fraud, and abuse in this program. In our November 2014 report delivered to the three Congressional oversight committees, we reported that OIG spent approximately \$236,860 in salaries on oversight related to the SBIR/STTR program. HHS referred 13 new SBIR/STTR cases to OIG in FY 2014.

Recovery Act retaliation complaint investigations

The American Recovery and Reinvestment Act (Recovery Act), § 1553, prohibits non-Federal employers that have received Recovery Act funding from retaliating against employees who disclose evidence of mismanagement of Recovery Act funds or any violation of law related to Recovery Act funds. OIGs are required to include in their *Semiannual Reports* to Congress the retaliation complaint investigations that they decided not to conduct or continue during the reporting period. During this reporting period, OIG closed three investigations.

Peer review results

During this semiannual reporting period, OI did not conduct a peer review of another OIG. A peer review of OI by another OIG was not conducted during this reporting period.

Contract Audits

Pursuant to the National Defense Authorization Act for FY 2008, § 845, OIGs appointed under the Inspector General Act of 1978 are required to submit, as part of their *Semiannual Report(s)* to Congress pursuant to section 5 of such Act, information on final completed contract audit reports issued during the period to the contracting activity containing significant audit findings. OIG did not issue final reports meeting § 845 criteria during this semiannual period.




OIG reviews of non-Federal audits

OIG reviews audits conducted by non-Federal auditors of entities receiving Federal awards. In this semiannual period, OIG's National External Audit Review Center reviewed 1,986 reports covering \$834.2 billion in audited costs. Federal dollars covered by these audits totaled \$143.7 billion, of which about \$70.7 billion were HHS funds.

Office of Management and Budget (OMB) Circular A-133 establishes audit requirements for State and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under this circular, covered entities must conduct annual organizationwide "single audits" of all Federal money they receive. These audits are conducted by non-Federal auditors, such as public accounting firms and State auditors. OIG reviews the quality of these audits and assesses the adequacy of the entities' management of Federal funds.

OIG's oversight of non-Federal audit activity informs Federal managers about the soundness of management of Federal programs and identifies any significant areas of internal control weakness, noncompliance, and questioned costs for resolution or followup. We identify entities for high-risk monitoring, alert program officials to any trends that could indicate problems in HHS programs, and profile non-Federal audit findings of a particular program or activity over time to identify systemic problems. We also provide training and technical assistance to grantees and members of the auditing profession. OIG maintains a process to assess the quality of the non-Federal reports received and the audit work that supports the selected reports. OIG's reports on non-Federal audits reviewed during this reporting period are categorized in the following table.

Non-Federal Audits, October 1, 2014, through March 31, 2015

| Number of Non-Federal Audits: | | |
|---|--|-------|
|  | <i>Not requiring changes or having minor changes</i> | 1,185 |
|  | <i>Requiring major changes</i> | 93 |
|  | <i>Having significant technical inadequacies</i> | 8 |

Annual Office of Audit Work Plan

FY 2015



**National Science Foundation
Office of Inspector General
October 30, 2014**

TABLE OF CONTENTS

| | |
|---|----|
| AUTHORIZATION | 1 |
| OIG MISSION AND FUNCTION | 1 |
| ORGANIZATION AND FUNCTION OF THE OFFICE OF AUDIT | 1 |
| TYPES OF AUDIT PRODUCTS | 1 |
| SUMMARY OF FY 2015 AUDIT WORK | 2 |
| FY 2015 AUDIT WORK PLAN (TABLE) | 4 |
| FY 2015 AREAS OF FOCUS | 5 |
| I. Relocation of NSF Headquarters | 5 |
| II. Health and Safety in the U.S. Antarctic Program | 5 |
| III. Awardees' Management of American Recovery and Reinvestment Act Funds | 6 |
| IV. Assessment of Payroll Certification Pilots | 8 |
| V. Financial and/or Program Accountability | 8 |
| Mandatory Audits and Reviews | 8 |
| Audit of NSF's FYs 2014 and 2015 Financial Statements | 9 |
| FYs 2014 and 2015 FISMA Evaluation | 9 |
| NSF's Compliance with IPERA | 9 |
| Discretionary Audits, Inspections, and Reviews | 9 |
| NSF Programs and Operations | 10 |
| Management Fees | 10 |
| Travel Cards | 10 |
| Conference Spending | 10 |
| Cloud Computing | 11 |
| Financial/Program Audits of NSF Awardees | 11 |
| Audits of Various Universities, Non-Profits, and For-Profit Entities | 11 |
| Non-Federal Audits | 12 |
| Review of the Quality of Single Audits | 12 |

AUTHORIZATION

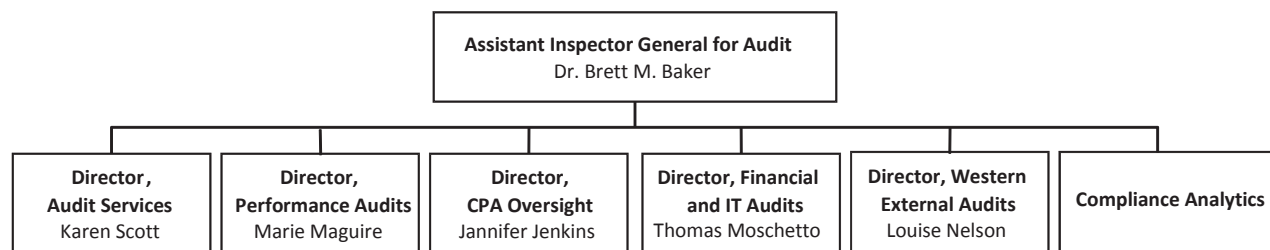
The Inspector General Act, as amended in 1988, authorizes an Office of Inspector General (OIG) for the National Science Foundation (NSF). The OIG is independent and reports directly to Congress and the National Science Board (NSB). By statute, the OIG conducts and supervises independent audits, inspections, evaluations, and investigations relating to agency programs and operations and recommends policies that promote effectiveness and efficiency and prevent and detect fraud and abuse in such programs and operations.

OIG MISSION AND FUNCTION

Consistent with its statutory mandate and operational mission, the OIG performs an oversight role and does not engage in management activities or program operations. Its work is divided into three functional areas: 1) audits, which assess the adequacy of business systems and processes, determine compliance with federal requirements, and identify ways to improve the effectiveness and efficiency of operations; 2) investigations, which address allegations of serious wrongdoing, such as unauthorized use or theft of federal funds and property; and 3) legal, legislative, and outreach, which provides legal advice, oversees communications between OIG and external stakeholders, and reports on selected NSF and NSB issues.

ORGANIZATION AND FUNCTION OF THE OFFICE OF AUDIT

The Office of Audit (OA) has an experienced audit and administrative staff led by the Assistant Inspector General for Audit, as shown in the chart below:



Although the audit teams have primary areas of responsibilities, each may lead or participate in work outside of its functional area to provide greater flexibility within the Office.

TYPES OF AUDIT PRODUCTS

OA is responsible for the required annual audits of NSF's financial statements, which include reviewing the agency's controls over financial reporting and the required annual review of its information system security. It is also required to report on agency compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The Office also conducts internal performance audits of agency operations and programs, and financial, compliance, and performance audits of NSF-funded awards. Many audits are performed by internal OA auditors; but the Office also contracts with independent public accounting (IPA) firms and other expert

contractors to supplement its resources. These contractors also provide additional expertise and resources necessary to accomplish OA's varied and complex audit projects.

OIG audits, whether conducted in-house, by IPAs, or by Government auditors under contract with OIG, are performed in accordance with the Comptroller General's *Government Auditing Standards*.¹ These standards are designed to ensure the integrity and competency of the audit process and the quality of the audit report. For similar goals, inspections are performed in accordance with the Council of Inspectors General's *Quality Standards for Inspection and Evaluation*.² Unlike audits, inspections do not require testing sufficient to opine on internal controls or compliance with laws and regulations. Finally, OA may perform non-audit services unrelated to audit work, or routine activities related to on-going or completed audits but outside their scope, that do not compromise OA's independence to conduct audits in accordance with *Government Auditing Standards*.

SUMMARY OF FY 2015 AUDIT WORK

The table on page 4 summarizes the work that OA plans to perform in FY 2015. It should be noted, however, that the planned work is subject to change if other high priority issues arise during the year, as OA needs to be flexible to meet new priorities. The projects listed in the table are described in further detail later in this Plan.

The Plan has five areas of focus:

- I. Relocation of NSF headquarters
- II. Health and Safety in the U.S. Antarctic Program
- III. Awardees' Management of American Recovery and Reinvestment Act Funds
- IV. Assessment of Payroll Certification Pilots
- V. Financial and/or Program Accountability

For the first area, Relocation of NSF Headquarters, we anticipate periodic reports on NSF's relocation progress until the move from Arlington, Virginia, to Alexandria, Virginia, which is scheduled to occur in FY 2017. We issued our first memorandum on relocation (OIG Report No. 14-3-003) on September 8, 2014. In FY 2015, OIG will continue to monitor NSF's oversight of its relocation and issue additional memoranda, as needed.

Regarding the second area, Health and Safety in the U.S. Antarctic Program (USAP), OIG's 2013 *Oversight Plan for NSF's U.S. Antarctic Program* (USAP) recommended assessing the effectiveness of NSF's oversight of USAP health and safety. In FY 2014, OIG initiated an audit on this issue; and during FY 2015, OIG will perform fieldwork on site in Antarctica, and issue a report.

The third area, Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds, includes continuing audits of ARRA-funded projects and institutions. One audit focuses

¹ *Government Auditing Standards* (2011).

² *Quality Standards for Inspection and Evaluation* (2012).

on the construction of the R/V *Sikuliaq*, a research vessel that received \$148 million of ARRA funds. The remaining projects are incurred cost and/or accounting system audits of institutions that NSF provided with ARRA funds.

The fourth area, Assessment of Payroll Certification Pilots, pertains to audits of pilot payroll certification projects at four universities by NSF OIG and Health and Human Services (HHS) OIG. NSF OIG has the lead for two audits and HHS OIG has the lead for two others. The audits, which will be issued in FY 2015, are assessing whether the payroll certification methods used by the universities have adequate controls to ensure that 1) only allowable costs are charged to NSF awards; and 2) the data used to support labor costs are secure.

The fifth area, Financial and/or Program Accountability, is divided into two sections: Audits, inspections, and reviews that are mandatory, and those that are discretionary. Mandatory projects, which are required by law, include the Financial Statement Audit and the Federal Information Security Management Act (FISMA) evaluation. In FY 2015, mandatory projects also include a review of NSF's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). Discretionary work includes audits, inspections, and reviews of NSF programs and operations, and financial/program audits of NSF awardees. In FY 2015 we plan four audits or inspections pertaining to NSF programs and operations. These four projects are: (1) Management Fees; (2) Travel Cards; (3) Conference Spending; and (4) Cloud Computing. Finally, within discretionary work, OA will determine auditors' compliance with the Single Audit Act and OMB requirements, and assess the adequacy of selected single audits.

FY 2015 Audit Work Plan

| Project | Objectives |
|---|--|
| I. Relocation of NSF Headquarters | <ol style="list-style-type: none"> 1. Determine the effectiveness of NSF's controls to track the use and status of the move-in allowance. 2. Determine the effectiveness of NSF's controls for adhering to NSF-required milestones. 3. Determine the impact of the building design. 4. Determine the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy. |
| II. Health and Safety in the U.S. Antarctic Program (USAP) | Assess the effectiveness of NSF's oversight and the Antarctic support contractor's performance to ensure the overall health and safety of USAP participants. |
| III. Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds | |
| <i>R/V Sikuliaq</i> | Determine the allowability of awardee expenditures, as well as compliance, with ARRA, other federal requirements, and award terms and conditions. |
| Incurred Cost or Accounting System Audits of 16 Institutions with ARRA funds | Various (see p. 7.) |
| IV. Assessment of Payroll Certification Pilots | Determine whether the payroll certification methods used by four universities have adequate controls to ensure only allowable costs are charged to NSF awards and that the labor data are secure. |
| V. Financial and/or Program Accountability | |
| A. Mandatory Audits and Reviews | |
| FYs 2014 and 2015 Financial Statement Audits | Express an opinion on NSF's financial statements, and report on NSF's internal controls over financial reporting and compliance with applicable laws and regulations that could have a direct and material effect on the financial statements. |
| FYs 2014 and 2015 FISMA Evaluations | Determine the effectiveness of NSF's information security program and practices. |
| NSF's Compliance with IPERA | <ol style="list-style-type: none"> 1. Determine if NSF is in compliance with IPERA. 2. Evaluate the accuracy and completeness of NSF's improper payment reporting in its FY 2014 Annual Financial Report (AFR). 3. Evaluate the agency's performance in reducing and recapturing improper payments. |
| B. Discretionary Audits, Inspections, and Reviews | |
| 1. NSF Programs and Operations | |
| Management Fees – Inspection | <ol style="list-style-type: none"> 1. Review federal and NSF criteria for management fees. 2. Benchmark the use of management fees at other agencies. 3. Determine, from a review of selected awards, how NSF awarded and managed management fees, and how they were expended. |
| Travel Cards | Determine the adequacy of NSF's controls over travel cards and identify possible improper charges. |
| Conference Spending | <ol style="list-style-type: none"> 1. Determine if NSF's conference spending and related reporting is compliant with NSF and OMB conference policies. 2. Determine if opportunities exist to reduce costs of conferences. |
| Cloud Computing - Inspection | <ol style="list-style-type: none"> 1. Determine if NSF is effectively managing the delivery of cloud computing services through development of contracts that address business and security risks as well as properly define and provide a mechanism to monitor NSF and cloud service providers' responsibilities. 2. Determine whether NSF has strong governance practices in place, including organizational control and oversight of policies, procedures, and standards for IT service acquisition, and for monitoring the use of IT cloud services. |
| 2. Financial/Program Audits of NSF Awardees | |
| Audits of Various Universities, Non-Profits, and For-Profit Entities | Determine whether costs charged to NSF awards are allowable, allocable, and reasonable, and in compliance with federal and NSF requirements |
| 3. Non-Federal Audits | |
| Review of the quality of Single Audits | Assess the adequacy of selected single audits and determine auditors' compliance with the Single Audit Act and OMB requirements. |

FY 2015 AREAS OF FOCUS

OA has identified five areas of focus for audit work it plans to perform in FY 2015:

(1) Relocation of NSF headquarters; (2) Health and Safety in the U.S. Antarctic Program (USAP); (3) Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds; (4) Assessment of Payroll Certification Pilots; and (5) Financial and/or Program Accountability. Although these are areas that we have currently identified, the plan is subject to change to address higher priority matters that may arise during the course of the year.

I. Relocation of NSF Headquarters

In 2013, the U.S. General Services Administration (GSA) signed a 15-year lease agreement on behalf of NSF for a new headquarters building to be built in Alexandria, Virginia. NSF currently plans to move from its current headquarters in Arlington, Virginia to Alexandria in FY 2017. As part of its oversight responsibilities, the OIG initiated an inspection of NSF's oversight of its relocation. OIG plans to issue memoranda as it identifies issues needing NSF's attention. The first memorandum, *Alert Memorandum on NSF's Relocation to its New Headquarters Location* (OIG Report No. 14-3-003), issued on September 8, 2014, expressed concern about the possible financial impact of on-going, and potential future schedule delays. In FY 2015, OIG will continue to monitor NSF's oversight of its relocation and issue additional memoranda, as needed.

Objectives:

- 1) Determine the effectiveness of NSF's controls to track the use and status of the move-in allowance.
- 2) Determine the effectiveness of NSF's controls for adhering to NSF-required milestones.
- 3) Determine the impact of the building design.
- 4) Determine the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy.

II. Health and Safety in the U.S. Antarctic Program (USAP)

In July 2012, a U.S. Antarctic Program (USAP) Blue Ribbon Panel issued a report titled, *More and Better Science in Antarctica Through Increased Logistical Effectiveness*. The Report identified eight major logistical issues, which, if addressed, could increase the value and amount of science in NSF facilities in Antarctica. Health and safety was one of the logistical issues that the Report identified.

In response to the Blue Ribbon Panel Report, OIG issued its *Oversight Plan for NSF's U.S. Antarctic Program*, in October 2013. The Plan included 11 proposed projects focusing on USAP logistics. The projects included health and safety, deferred maintenance, inventory control, flight

support, single-point failure risks, and IT deficiencies. In discussing health and safety as a logistical issue that merited OIG's attention, the Plan stated that OIG issued *Audit of the Occupational Health and Safety and Medical Programs in the United State Antarctic Program* (OIG Report No. 03-2-003) in 2003, which noted the need for improvements in long-range capital planning and budgeting for facilities and infrastructure, and for oversight of medical facilities on USAP research ships. The USAP Plan also noted that more recently, OIG completed *Audit of the United States Antarctic Program's Medical Screening Process*, (OIG Report No. 13-2-009), issued September 30, 2013, which found that NSF may have missed opportunities to reduce the cost of medical screenings and had limited oversight of individual medical processing costs charged to the agency.

Following up on these prior OIG audits, and the identification of health and safety as an area of concern in the OIG's USAP Oversight Plan, in FY 2014, OIG began an audit to assess the effectiveness of NSF's oversight of USAP health and safety. In FY 2015, OIG staff will visit USAP facilities in Antarctica to oversee and/or perform audit fieldwork. OIG expects to issue the USAP health and safety audit in the Spring of FY 2015.

Objective: Assess the effectiveness of NSF's oversight and the Antarctic support contractor's performance to ensure the overall health and safety of USAP participants.

III. Awardees' Management of American Recovery and Reinvestment Act Funds (17 projects)

The American Recovery and Reinvestment Act (ARRA) provided NSF with \$3 billion in funding for its awardees. In September 2011, the Office of Management and Budget (OMB) urged federal agencies to ensure that their awardees spent remaining ARRA funds by September 30, 2013, and to recapture funds not spent by that date to the extent possible by law. OMB granted NSF a waiver from that deadline for 512 awards. ARRA awardees not affected by the waiver had to accelerate spending to meet the new deadline. Accelerated spending increased the risk of improper expenditures, since awardees might spend ARRA funds prior to expiration on non-ARRA awards, or for costs unrelated to the ARRA awards. Thus, OA considered awards subject to the accelerated deadline as high risk.

Beginning in FY 2012, OA issued a series of audits assessing ARRA awardees' management of ARRA funds. In FY 2015, these audits will continue. Specifically, OA will issue a report on awardee expenditures for construction of the R/V *Sikuliaq*, a Major Research Equipment and Facilities Construction (MREFC) project with ARRA funding. In addition, OA plans to issue incurred cost audits at 14 institutions that received ARRA funds, and accounting systems audits at two other ARRA awardees to determine if they properly accounted for their ARRA funds.

The R/V Sikuliaq

NSF awarded \$148 million in Recovery Act funds for construction of the R/V *Sikuliaq*, a research vessel operating year-round in the waters around Alaska and the polar region. The *Sikuliaq* contains extensive research instrumentation, scientific equipment, and laboratories and will be available to scientists and students in a variety of disciplines. OA issued its first *Sikuliaq*

report, on NSF's management of the construction of this research vessel, in FY 2014. A second report, on expenditures by the University of Alaska Fairbanks, the awardee for the project, will be issued in FY 2015.

Objective: Determine the allowability of awardee expenditures, as well as compliance with ARRA, other federal requirements, and award terms and conditions.

Audits of 16 Institutions with ARRA Funds

ARRA awards are high risk because they have complex new terms and conditions and reporting requirements. Further, ARRA awards without waivers that completed spending by the new deadline of September 30, 2013, are of additional risk due to the possibility that awardees misspent ARRA funds to ensure they were spent before the new expiration date.

OA identified high-risk audit candidates with ARRA funds using data analytics and the results of prior audits. To conduct audits of awardee expenditures, including ARRA expenditures, OIG contracted with IPA firms or DCAA. Of the 16 audits yet to be issued, 14 are incurred cost audits; and two are audits of awardees' accounting systems, to determine if they properly account for ARRA funds.

Objectives for the 14 incurred cost audits:

Note: Not all 14 audits have the same objectives, but each has some combination of the following objectives:

- 1) Identify instances of unallowable, unallocable, and unreasonable costs.
- 2) Identify instances of noncompliance with regulations, federal financial assistance requirements (e.g., OMB Circulars), and the provisions of the NSF award agreements.
- 3) Determine whether the awardee has adequate systems in place to account for and safeguard NSF funds.
- 4) Assess the adequacy of the accounting system to properly account for, segregate, and report the use of ARRA funds for NSF awards in accordance with OMB requirements.
- 5) Review the awardee's accounting and reporting for the NSF ARRA awards to determine whether the awardee is properly accounting, segregating, and reporting for these awards in accordance with OMB requirements.
- 6) Determine the reasonableness, accuracy, and timeliness of the awardee's ARRA quarterly reporting, including reporting of jobs created under ARRA and grant expenditures for the two most recent quarters.

Objective for the 2 accounting system audits:

Determine the adequacy of the accounting systems and practices for accumulating and reporting ARRA and non-ARRA costs under NSF awards.

IV. Assessment of Payroll Certification Pilots

The Federal Demonstration Partnership (FDP) is a partnership of federal agencies, academic research institutions, and non-profit organizations, with a purpose to reduce burdens associated with the administration of federal research grants and contracts. In 2011, the FDP issued a proposal to use payroll certification to report labor effort expended on federal awards.³ The FDP proposed payroll certification as an alternative to activity reporting and plan confirmation, two main OMB-approved methods that institutions of higher education have used in the past to report salary and wage charges on federally-funded projects. According to the proposal, payroll certification differs from activity reporting and plan confirmation in two ways: First, payroll certification is project-based (not person-based); and second, it relies on a concept that “charges are reasonable in relation to work performed” (not “effort”).

Four universities have pilot-tested the proposed payroll certification method. The NSF OIG and the Health and Human Services (HHS) OIG are auditing these pilots to assess the adequacy of the proposed methodology. Each OIG has the lead on two. The four audits are expected to be issued during FY 2015.

Objective: Determine whether the payroll certification methods used by four universities have adequate controls to ensure only allowable costs are charged to NSF awards and that the labor data are secure.

V. Financial and/or Program Accountability

NSF is accountable for the quality, integrity, and performance of its research programs and stewardship of its annual appropriations. This accountability is mandated by NSF’s chartering legislation and numerous other laws including the Budget and Accounting Procedures Act, the Federal Managers Financial Integrity Act, the Chief Financial Officers Act, the Federal Financial Management Improvement Act, and OMB Circulars. Conducting audits to evaluate whether NSF is fulfilling its responsibilities for financial and/or program accountability is central to the OIG mission of preventing and detecting fraud, waste, and abuse and promoting effectiveness, efficiency, and economy.

Mandatory Audits and Reviews

The OIG is required by law to conduct certain audits. These include the annual audit of NSF’s financial statements, and an annual independent evaluation of NSF’s information security operations. In addition, the Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires OIG to report on NSF’s compliance with the Act.

³ *Payroll Certifications A Proposed Alternative to Effort Reporting*, Federal Demonstration Partnership, January 3, 2011. The report is available at the following address:
http://sites.nationalacademies.org/cs/groups/pgasite/documents/webpage/pga_055994.pdf

Audit of NSF's FYs 2014 and 2015 Financial Statements

The Government Management and Reform Act of 1994, Public Law 103-356 (GMRA) requires that 24 major federal agencies, including NSF, annually prepare financial statements disclosing the results of agency-wide operations. As required by the Chief Financial Officers Act of 1990 Public Law 101-576 (CFO Act), the Inspector General (IG) or an independent external auditor selected by the IG, is responsible for performing the agency-wide audit. The OIG has entered into a contract with CliftonLarsonAllen to conduct these financial statement audits.

Objective: Express an opinion on NSF's financial statements and report on NSF's internal controls over financial reporting and compliance with applicable laws and regulations that could have a direct and material effect on the financial statements.

FYs 2014 and 2015 FISMA Evaluations

The Federal Information Security Management Act of 2002 (FISMA) requires the OIG to perform an independent evaluation of NSF's information security program and practices to determine their effectiveness and to report the results to OMB. The OIG has contracted with CliftonLarsonAllen to conduct these evaluations.

Objective: Determine the effectiveness of NSF's information security program and practices.

NSF's Compliance with IPERA

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires OIG to review and report on NSF's IPERA compliance. OIG has chosen to use an audit for this purpose. The FY 2015 audit will evaluate NSF's compliance with IPERA during the period beginning October 1, 2013, and ending September 30, 2014.

Objectives:

- 1) Determine if NSF is in compliance with the requirements of IPERA.
- 2) Evaluate the accuracy and completeness of NSF's improper payment reporting in its FY 2014 Annual Financial Report (AFR).
- 3) Evaluate the agency's performance in reducing and recapturing improper payments.

Discretionary Audits, Inspections, and Reviews

OA also performs discretionary audits of NSF programs and operations. In addition, it performs financial and program audits of NSF awardees, as well as NSF's oversight of the awardees. The specific areas on which OA will focus its work during FY 2015 include internal performance

audits and inspections; incurred cost audits of NSF awardees; and reviews of the quality of selected non-federal audits.

NSF Programs and Operations

Management Fees

Federal agencies have awarded management fees to Federally Funded Research and Development Centers for many years to cover ordinary and necessary business expenses that would otherwise go unreimbursed because such expenses constitute neither a direct nor an indirect cost chargeable to a federal project. NSF has stated that it includes management fees in unique cases when it is working with specialized nonprofit research organizations on large scale projects. OIG has started an inspection of management fees in NSF awards, which may encompass two phases. The first phase will include a review of federal and NSF criteria for management fees, including a review of Government Accountability Office reports. The second phase could include a review of selected awards to determine how management fees were awarded, managed, and expended.

Objectives:

1. Review federal and NSF criteria for management fees.
2. Benchmark the use of management fees at other federal agencies.
3. Determine, from a review of selected awards, how NSF awards and manages management fees, and how they were expended.

Travel Cards

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, dated September 6, 2013, requires OIGs to conduct periodic assessments of agency travel card programs to analyze the risks of illegal, improper, or erroneous purchases. Based on issues identified during our audit of NSF's purchase card program, OIG began an audit of the travel card program in FY 2014 and will issue its report in FY 2015. OIG has not audited NSF's travel card program since 2005.⁴

Objective: Determine the adequacy of NSF's controls over travel cards and identify possible improper charges.

Conference Spending

On November 9, 2011, President Obama signed an Executive Order titled *Promoting Efficient Spending*, which directed agencies to reduce combined costs in several administrative categories by not less than 20 percent in FY 2013 from FY 2010 levels. OMB followed up with

⁴*Audit of NSF's Travel Card Program*, OIG Report No. 05-2-012, September 30, 2005.

Memorandum M-12-12, issued May 11, 2012, requiring federal agencies to report by January 31 annually on all agency-sponsored conferences from the previous year for which net expenses per each single conference were over \$100,000. The report is also required to include the agency head's waiver that identified the exceptional circumstances necessitated for any single conference with net conference expenses that exceeded \$500,000. Then, on May 28, 2013, OMB issued a *Controller Alert* to federal agencies regarding travel and conferences in light of the FY 2013 sequestration. According to the *Controller*, each agency is responsible for implementing its own internal travel and conference policies. The *Alert* also specified certain best practices. For example, conference and training fees should follow the Federal Acquisition Regulation guidelines for purchases of the activities involved, and conferences should not include excessive or lavish social events. Further, agencies should inquire about the availability of "no-frills" pricing options.

Objectives:

- 1) Determine if NSF's conference spending and related reporting is compliant with NSF and OMB conference policies.
- 2) Determine if opportunities exist to reduce costs of conferences.

Cloud Computing

NSF has entered into contracts for cloud computing services for several systems, including email, external SharePoint, and iTRAK, which is its new financial management system. Use of the cloud entails multiple risks and issues, such as data access, security, and management of contractors. OIG has initiated an inspection on the adequacy of NSF's cloud contracts, and its internal controls, to minimize these risks.

Objectives:

- 1) Determine if NSF is effectively managing the delivery of cloud computing services through development of contracts that address business and security risks as well as properly define and provide a mechanism to monitor NSF and cloud service providers' responsibilities.
- 2) Determine whether NSF has strong governance practices in place, including organizational control and oversight of policies, procedures, and standards for IT service acquisition and for monitoring the use of IT cloud services.

Financial/Program Audits of NSF Awardees

Audits of Various Universities, Non-Profits, and For-Profit Entities

Audits of various universities, non-profits, and for-profit entities focus on whether costs charged to NSF awards are allowable, allocable, and reasonable. They also assess the adequacy of awardees' internal controls over the administration of NSF funds in compliance with federal and

NSF requirements and recipient financial information. For FY 2015, these audits will include 17 projects that focused on ARRA funded awards. These projects have been discussed previously in the ARRA section of this Plan. In addition, OIG plans 19 new incurred cost audits at awardees selected from OIG's FY 2015 risk assessment.

Objective: Determine whether costs charged to NSF awards are allowable, allocable, and reasonable in compliance with federal and NSF requirements.

Non-Federal Audits

Review of the Quality of Single Audits

Non-federal auditors conduct annual audits of entities that expend \$500,000 (\$750,000, as of December 26, 2014) or more a year in federal awards. These required audits, called single audits, are conducted in compliance with the Single Audit Act and related OMB guidance. Auditors who conduct these audits include public accounting firms and state auditors. OA reviews the quality of selected single audits to determine if the reports comply with the Single Audit Act and OMB requirements. OA will also continue to conduct quality control reviews of selected single audits in FY 2015.

Objective: Assess the adequacy of selected single audits and determine auditors' compliance with the Single Audit Act and OMB requirements.



SEMIANNUAL
REPORT TO
CONGRESS
MARCH 2015

accounting system and estimating practices¹. While the pre-award follow-up concluded that AURA had corrected significant deficiencies in the design of its accounting system, it did not address AURA's estimating system deficiencies noted in the initial 2011 audit.

The second report was a related OIG report to emphasize that no post-award accounting system or estimating system audit had been conducted at AURA. Because of the very large sums AURA will manage for these two construction projects, and in light of another recent audit, which disclosed estimating deficiencies that resulted in a disclaimer of opinion on AURA's \$344 million proposal for the Daniel K. Inouye Solar Telescope, OIG reiterated recommendations from prior audits of proposed costs for the projects.

We recommended that NSF obtain 1) an audit of AURA's estimating system to determine if its estimating practice deficiencies have been corrected, and if it has a system that consistently produces verifiable, supported, and timely cost estimates, which are acceptable as a basis for negotiation of fair and reasonable prices; and 2) a post-award accounting system audit to determine if AURA has implemented its written accounting procedures adequately, and to ensure that AURA's accounting system complies with grant terms. OIG has forwarded both reports to NSF for audit resolution.

Audits of NSF Awardees

Four audits were conducted of NSF awardees which had expended a total of \$979 million, of which \$69 million was Recovery Act funds, to determine the reasonableness, allowability, and allocability of costs. Auditors found that Recovery Act funds were properly accounted for and segregated, as required by law.

However, the audits identified more than \$4.6 million of questioned costs because each of the institutions audited — University of Florida, University of California at Berkeley, University of Wisconsin (Madison), and Michigan State — charged salaries to NSF awards which exceeded NSF's compensation limit for senior project personnel.

More than \$1.6 million in salaries of senior personnel that exceeded the two months of proposed salary allowable under NSF's policy was questioned at the University of California at Berkeley and nearly \$1.3 million was questioned at University of Wisconsin at Madison for the same reason. Approximately \$900,000 in senior personnel salaries was questioned at both of the other two institutions where audits

¹ Audit Report No. 11-1-010, Audit of Association of Universities for Research in Astronomy, Inc.'s/National Optical Astronomy Observatories' (NOAO) Accounting System and Proposal Estimating Practices, March 31, 2011.

were completed during this period. In response to these findings, the institutions stated that they relied on NSF's "Frequently Asked Questions" document, which stated that an awardee, under normal rebudgeting authority, could approve an increase in person months devoted to the project after an award had been made.

In addition to costs questioned for salaries exceeding NSF limits, other questioned costs included those related to equipment costs that were not well supported or equipment costs which were either unnecessary or did not appear to benefit the NSF award; consulting expenses; unallowable relocation expenses; a disproportionate amount of accumulated leave being charged to NSF awards; and certain travel expenses.

Recommendations were made for NSF to require the institutions to repay the questioned costs. The institutions generally agreed with the recommendations pertaining to questioned costs with the exception of those relating to senior personnel salaries' costs. NSF is in the process of resolving the recommendations.

University of Alaska Fairbanks Generally Complied with Recovery Act Requirements, but Lacked Required Documentation to Support Approval of Expenditure of Nearly \$4.8 Million

We conducted an audit of NSF's management and oversight of the Sikuliaq construction project in light of the large amount of Recovery Act funds awarded and because previous audits found unallowable contingency at other NSF awardees. Therefore, this audit included reviewing change order requests for contingency funds as well as other project funds to determine if such requests were executed properly and were supported by required documentation.

We found that due to moving its email system to a different provider, the University of Alaska Fairbanks' (UAF) did not have the required documentation to support approval for ten change order requests totaling nearly \$4.8 million. NSF approval was required for all change orders valued at \$50,000 or higher, and OMB requires awardees to retain "financial records, supporting documents, statistical records, and all other records pertinent to an award...for three years." NSF's internal policy also requires awardees to maintain certain documentation including "change requests and approvals." Retaining this documentation is an important project management tool for monitoring overall project costs and for tracking the use of contingency funds.

We concluded that UAF generally complied with the Recovery Act requirements. The university agreed with the recommendation to retain required documentation needed to support approval for change orders and is working with NSF to implement the recommendation.

stated that certain recommendations remain open pending the review of the NSF Audit Follow-up Official. In January 2015, the Audit Follow-up Official issued a final determination on the escalated recommendations. NSF generally agreed with the findings and recommendations concerning its accounting estimation process for grant expenditures and stated its commitment to further improving this process. A copy of NSF's full response is published in its FY 2014 Agency Financial Report.

FY 2014 Management Letter

The auditors also issued a Management Letter in conjunction with the financial statement audit report. The purpose of this document is to communicate findings that are not included in the audit report but are important to ensuring a sound overall internal control structure and require management's attention.

Among other things, the FY 2014 Management Letter stated that NSF needed to continue to improve its policies for awarding and administering cost reimbursement contracts. Auditors recommended that NSF focus on identifying cost reimbursement contracts that need to have cost incurred audits conducted to determine if costs claimed are valid.

NSF generally concurred with the recommendations in the Management Letter and is working to resolve the findings. The FY 2015 financial statement audit will evaluate the adequacy of NSF's actions in response to the recommendations.

A-133 Audits

Single Audits Identify Late or Inaccurate Reporting at Forty-three Percent of Awardees with Findings

OMB Circular A-133 provides audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving federal awards. Under this Circular, covered entities that expend \$500,000 or more a year in federal awards must obtain an annual organization-wide audit that includes the entity's financial statements and compliance with federal award requirements. Non-federal auditors, such as public accounting firms and state auditors, conduct these single audits. The OIG reviews the resulting audit reports for findings and questioned costs related to NSF awards, and to ensure that the reports comply with the requirements of OMB Circular A-133.

The 103 audit reports reviewed and referred⁴ to NSF's Cost Analysis and Audit Resolution (CAAR) Branch this period covered NSF expenditures of \$1.5 Billion as reported in the annual Single Audits during audit years 2013 and 2014, and resulted in 50 findings at 31 NSF awardees. The auditors disclaimed an opinion on the financial statements of one awardee. In addition, three awardees received qualified opinions on their compliance with federal grant requirements.

Fifteen of the 50 findings (30 percent), at 13 of the 31 awardees with findings (42 percent), resulted from untimely or inaccurate submission of financial and/or progress reports. Two of the 15 findings had been repeated for the 3rd consecutive year, calling into question the awardees' ability to adequately manage their NSF awards.

Awardees' lack of internal controls and noncompliance with federal requirements also included: untimely and/or incorrect reporting of time and effort; failure to ensure that property purchased with federal funds was adequately tracked and safeguarded; failure to ensure that the procurement process included verification that vendors had not been suspended or debarred; and inadequate monitoring of subrecipients.

Desk Reviews Continue to Find Audit Quality and Timeliness Issues in One-Third of Single Audits

The audit findings in A-133 reports are useful to NSF in planning site visits and other post-award monitoring efforts. Because of the importance of A-133 reports to this oversight process, the OIG conducts desk reviews on all reports for which NSF is the cognizant or oversight agency for audit, and provides guidance to awardees and auditors for the improvement of audit quality in future reports. In addition, OIG returns to the awardees reports that are deemed inadequate so that the awardees can work with the audit firms to take corrective action.

During the period, we conducted desk reviews of 61 audit reports⁵ for which NSF was identified as the cognizant or oversight agency for audit, and found that 40 fully met federal reporting requirements. Twenty-one reports (34 percent) contained audit quality and timeliness issues. The quality issues we identified included six reports in which the Schedule of Expenditures of Federal Awards did not provide sufficient information to allow for identification of awards received from non-federal "pass-through" entities or did not adequately describe the significant accounting policies used to prepare the schedule. In addition, five reports inadequately presented the elements of the audit findings and/or the elements of the auditee management's plan to correct the

4 The auditors revised one report in response to our desk review letter and resubmitted the report during the period. The revised report is included in the total number of 103.

5 The audits were conducted by 45 independent public accounting firms.

deficiencies reported. Five reports were submitted to the Federal Audit Clearinghouse with an inaccurate Data Collection Form (Form SF-SAC). Finally, three reports were filed after the deadline established in OMB Circular A-133.

For those errors that potentially impacted the reliability of the audit reports, we contacted the auditors and awardees, as appropriate, for explanations of each of the potential errors. In most cases, the auditors and awardees either provided adequate explanations and/or additional information to demonstrate compliance with federal reporting requirements. After completion of all 61 reviews, we issued a letter to each auditor and awardee informing them of the results of our review and the specific issues on which to work during future audits to improve the quality and reliability of the report.

Audit Resolution

NSF Sustains \$1.5 million of Questioned Costs on Raytheon Contract for U.S. Antarctic Program

In response to our recommendations, NSF sustained \$1.5 million of the \$1.9 million of questioned fringe benefit and general and administrative costs that Raytheon, the logistical support contractor for NSF's Antarctic Program from FY 2000-FY 2012, claimed in FY 2002. The resolution of these costs completes the resolution of all \$56 million questioned on audits of the contract from FY 2000-2004. The settlement of all sustained costs for these audits will occur after Raytheon's final invoice is audited, and when NSF closes out the contract.

NSF Sustains \$19.8 Million of Questioned Funds in Proposed Budget for the National Ecological Observatory Network

NSF sustained about \$20 million of costs questioned in a pre-award audit of the proposal budget for the National Ecological Observatory Network (NEON). Unallowable proposed costs included \$8.5 million of equipment costs, \$4.3 million of escalation costs, \$5.6 million of other direct costs, and \$1.4 million of indirect costs.

Office of Audit Quality Control System Passes External Peer Review

During this semiannual period, the Office of Audit successfully passed external peer review for the year ended September 30, 2014. The review was conducted by the Amtrak Office of Inspector General, which found that the Office's quality control system provided reasonable assurance that it complied with professional standards and applicable legal and regulatory requirements.

Civil and Criminal Investigations

Two Florida Scientists Convicted on All Counts for SBIR Fraud

We previously reported⁶ that two Florida scientists were indicted for seven counts of wire fraud, one count of conspiracy to commit wire fraud, five counts of aggravated identity theft, and two counts of falsification of records in a federal investigation. Following a four-week jury trial, both scientists were convicted on all 15 counts.

The scientists used two companies to fraudulently obtain SBIR and STTR awards from NSF and other federal agencies totaling approximately \$10.5 million. In their proposals, the scientists misrepresented their facilities, employees, costs, and the eligibility of PIs. In addition, they fraudulently used the identities of prominent researchers and industry participants to fabricate false letters of support, endorsements, and commitments to participate in the awards, which were included in the proposals.

The case arose from a proactive investigative review of SBIR and STTR companies. In response to our request for information, the scientists provided falsified and backdated documents, including a joint venture agreement and timesheets, in an attempt to influence our investigation.

The case was jointly investigated with the Army Criminal Investigation Command and OIGs for DoD, NASA, DOE, DHS, and EPA. Sentencing will occur summer 2015.

South Carolina Man Pleads Guilty to Theft of NSF SBIR Award Funds

A PI, who previously was indicted for false claims, false statements and theft⁷, pled guilty to theft in relation to false effort information he provided in official project reports submitted to NSF to obtain grant payments. He was sentenced to three years of probation and fined \$5,000.

⁶ September 2014 Semiannual Report, pp.19-20.

⁷ September 2013 Semiannual Report, p.15.

South Dakota Man Convicted for Fraudulently Obtaining Award Money from NSF STTR Program

We previously reported⁸ that a South Dakota small business owner was indicted for falsely certifying the hiring of a PI for an STTR project and converting the majority of the award funds for personal gain. Following a jury trial, the business owner was found guilty of one count of receipt of stolen government money and two counts each of false statements, false claims, and wire fraud. Sentencing is scheduled for May 2015.

University Agrees to Repay \$497,000 for Alleged Duplicate Funding

A California university agreed to repay \$497,000 to settle allegations that a PI failed to disclose overlapping funding and submitted duplicate reports for NSF and Department of Energy (DOE) awards — NSF will receive \$111,500 of that amount.

The settlement agreement resulted from mediation among the Department of Justice, DOE, NSF, and the university. The university agreed to institute a three-year compliance program to train employees on the proper administration of federal awards. In addition, for three years, the PI cannot serve as an NSF reviewer and is required to have her NSF proposals and progress reports internally reviewed and certified prior to submission to NSF.

Suspended Awards Terminated, PIs Prosecuted

In two multi-agency investigations, NSF terminated awards that had been suspended in accordance with our recommendations, resulting in \$567,833 of funds put to better use. In both cases the PIs were prosecuted for charges related to other agencies' awards.

Company Agrees to Civil Settlement for Misrepresenting Its Accounting and Timekeeping Systems

NSF STTR awards involve a small business awardee that works in partnership with a non-profit research institution subawardee. We previously reported⁹ that a university repaid \$54,076 related to unauthorized equipment purchases on an STTR subaward. During this reporting period, the company that received the STTR award repaid \$170,923 in response to allegations that it misrepresented to NSF that its accounting system would separately track the expenditure of grant funds and that time records would be maintained for employees working on the grant.

⁸ September 2011 Semiannual Report, p.8.

⁹ September 2013 Semiannual Report, p.15.

Post-Settlement Audit Results in Return of Additional Funds

As previously reported¹⁴, a university in the District of Columbia entered into a settlement agreement under which it repaid \$530,000 to NSF for unsupported expenditures on an award. The university also agreed to have an external audit conducted of a related award, and that audit identified \$59,439 of unsupported costs, which the university returned.

College Repays over \$86,000 for Unsupported Costs

A California college repaid \$86,460 after our investigation identified unsupported expenditures to subcontractors under an NSF award. The college is improving training for employees to help ensure appropriate grant oversight and control.

University Returns \$151,201 to NSF for Terminated Supplemental Award

Our investigation found that a PI at a New Jersey university continued to spend supplemental award funds after NSF informed him that the award project had been cancelled. The university refunded \$151,201 to NSF.

PI Returns over \$46,000 for Violating Small Business Program Rule

Our investigation into SBIR and STTR awards made to a Florida small business determined the PI violated the requirement that he must be primarily employed by the company throughout the period of the awards. However, because the violations occurred outside of the applicable statute of limitations, and due to conflicting and missing records of his primary employer, the STTR subawardee, we pursued this matter administratively. We notified the PI of the violations and he returned \$46,397 (the amount of salary he was paid from the grants during the time when he was primarily employed by his university) to NSF.

University Repaid over \$22,000 for Unsupported Costs

A North Carolina university repaid \$22,183 after our investigation identified unsupported salary expenditures under an NSF award. The university has implemented extra review procedures to improve the accuracy of time and effort reporting for federal grants.

¹⁴ March 2013 Semiannual Report, p.21.

Human Subjects Research

Human subjects violations occurring in studies utilizing NSF funds are of great concern to NSF and our office. In accordance with NSF's implementation of the federal policy known as the Common Rule, all projects involving human subjects must either have approval from the organization's Institutional Review Board (IRB) before issuance of the NSF award, or must affirm that the IRB declared the research exempt from IRB oversight.

In past and ongoing cases, we learned about a variety of incidences of IRB-related noncompliance: failure to obtain informed consent; use of unapproved consent forms; overenrollment of participants; inadequate privacy or confidentiality safeguards; failure to obtain IRB approval for changed or revised protocols; insufficient management and oversight of the research by the PI; initiation of human subjects research without finalized IRB approval; threatening and harassing a research participant who withdrew from the study; and falsification of IRB approvals.

In these cases, the institutional IRBs made determinations on corrective action plans such as: remedial training of the PI and research personnel; restrictions on or destruction of the research data collected; scheduled IRB site-visits; requirements to submit a revised or new IRB protocol; and restriction, suspension or termination of human subjects research. In addition, we have recommended suspension or termination of NSF grants when appropriate, which NSF has implemented.

subsequently retired, the university took no action. We recommended that NSF send a letter of reprimand to the subject notifying him that NSF has made a finding that he violated NSF's confidentiality rules for panelists, and prohibit him from serving as a reviewer for one year.

PI Fabricated IRB Approval Document Submitted to NSF

A PI at a Pennsylvania university fabricated a document showing his project's required IRB approval, and submitted the fabricated document to NSF. The PI admitted he had fabricated the IRB approval and the university has initiated an investigation. In response to our recommendation, NSF suspended the award — with \$1,619,844 unexpended — pending conclusion of our investigation.

NSF Proposed Termination of Two Employees

In a previous Semiannual Report¹⁸, we described the actions of two NSF employees: a supervisor who lied to OIG, his supervisors, and his staff and colleagues; and a program officer who released a sensitive document to the press. Based on an analysis of all the facts, NSF proposed termination of both employees, and both retired.

Research Misconduct Investigations

Research misconduct damages the scientific enterprise, is a potential misuse of public funds, and undermines the trust of citizens in government-funded research. It is imperative to the integrity of research funded with taxpayer dollars that NSF-funded researchers carry out their projects with the highest ethical standards. For these reasons, pursuing allegations of research misconduct (plagiarism, data fabrication, and data falsification) by NSF-funded researchers continues to be a focus of our investigative work. In recent years, we have seen a significant rise in the number of substantive allegations of research misconduct associated with NSF proposals and awards.

NSF takes research misconduct seriously, as do NSF's awardee institutions. During this reporting period, institutions took actions against individuals found to have committed research misconduct, ranging from letters of reprimand to termination of employment. NSF's actions in research misconduct cases ranged from letters of reprimand to a proposed three-year debarment. In every case, we recommended that NSF make a finding of research misconduct, issue a letter of reprimand, and require the subject to complete a Responsible Conduct of Research (RCR) training program. We also recommended additional significant actions as summarized below.

Proactive Review Identifies Plagiarism in Multiple Proposals

As part of a proactive review, we analyzed over 8,000 proposals awarded by NSF in FY 2011 for evidence of plagiarism. We processed these proposals using commercial plagiarism software, and ranked them by the amount of apparently-copied text. We determined that many proposals contained some amount of copied text, but opened cases only on the more apparently serious violations that might constitute research misconduct.

We opened 34 plagiarism investigations, ten of which have resulted in NSF making findings of research misconduct. From these cases we have recovered \$357,602 in federal funds to date. We issued questionable research practice letters in six cases in which the copying

¹⁸ September 2014 Semiannual Report, p.17

was considered plagiarism, but did not rise to the level of research misconduct. Ten cases are still pending. One of the pending plagiarism investigations uncovered significant financial issues, and is being pursued for possible civil/criminal prosecution.

Overall, less than one half of one percent of the funded proposals contained enough plagiarism to constitute research misconduct. This percentage is less than the results from our earlier proactive reviews which included declined proposals.

Graduate Student Misrepresents Data to Advisor Who Published It

A graduate student at a Rhode Island university provided falsified data to his NSF-funded advisor, who included it in a journal article. A reader of the article first identified the problems with the data presented in a figure, and reported to the advisor his inability to repeat the reported calculations based upon that data. The advisor and a colleague were unable to reproduce the student's results when asked to review the data, and the advisor retracted the article.

The university initiated its investigation, but shortly thereafter the student returned to his home country. Other than two written explanations for how he had arrived at his results, the student did not participate further in the investigation. The university concluded that the student knowingly falsified the curve-fitting results that ultimately appeared in the article, retroactively dismissed the student from the university, and prohibited him from readmission.

We concurred with the university that the student committed research misconduct and we recommended NSF debar the student for 3 years.

Professor Fabricates Data and Falsifies Status of Manuscripts

A professor at a Maryland university fabricated data and falsified the status of manuscripts in NSF proposals. The university's investigation determined the professor intentionally fabricated data in one NSF proposal and intentionally misrepresented the status of manuscripts in several NSF proposal and award documents. The university concluded the professor's acts constituted research misconduct and the university's disciplinary actions included oversight, remedial training, and prohibition of applying for funds.

Our further investigation established that the professor falsified the status of manuscripts in four NSF proposals and four annual reports. We concluded that the professor's fabrication of data and falsification of manuscripts' status were intentional acts, representing a pattern of research misconduct. We recommended that NSF debar him for

one year and that for three years after the debarment, NSF: require certifications and assurances; require submission of a detailed data management plan with annual certifications of adherence for any resulting awards; and bar him from participating as a peer reviewer, advisor, or consultant for NSF.

PI Plagiarizes from Former Colleagues in NSF Proposal

A PI at a Pennsylvania university plagiarized a significant amount of material from a colleague's declined proposal submitted to another agency into her own NSF proposal. The university declined to conduct an investigation because it did not have a research misconduct policy. The PI admitted to us that she knowingly plagiarized material from a former advisor and another colleague, blaming time constraints and inexperience in proposal writing. We concluded that the PI committed plagiarism and recommended that NSF debar her for one year, require certifications and assurances for three years after the debarment, and bar her from participating as a peer reviewer, advisor, or consultant for NSF.

Postdoc Falsifies Data To Make Results "Look Better"

A post-doctoral scholar at a Pennsylvania university falsified NSF-funded research data in a manuscript submitted to a journal. When confronted by his mentor, the postdoc admitted that he had changed the data because it "would make the results in the paper look better."

The university concluded that the post-doc knowingly committed research misconduct, but found mitigating circumstances. It sent the postdoc a letter of reprimand and required his lab director to monitor his research; however, the postdoc left the university and returned to his home country. We concurred with the university's assessment and recommended NSF debar the post-doc for one year, and require he provide certifications and assurances for four years.

PI Falsifies Accomplishments under Grants

A Missouri university's investigation determined that a PI's annual reports were inaccurate and misrepresented the publications supported from his grant. It concluded that the PI's extensive misrepresentations constituted falsification, made a finding of research misconduct, and required the PI to provide quarterly progress reports for all externally-funded projects for one year. In addition, for three years he must have all annual reports reviewed by the university.

We concurred with the university's finding of research misconduct. The PI overwhelmingly misrepresented his accomplishments in his publications listed in his progress reports to NSF. For one grant, more than 90% of the publications listed in his first annual report and 80% of the publications in his second annual report were falsified; the publications were either inaccurate or not attributable to his NSF-funded research. Further, approximately 90% of the publications listed in the annual and final reports for a second NSF grant were also falsified, establishing a pattern of misrepresenting his publications. We recommended that NSF require the PI to provide certifications and assurances for three years.

Texas Professor Claims Wrong Version of Proposal Submitted to NSF

Our investigation determined that a Texas PI plagiarized in two NSF proposals. The PI told us he mistakenly submitted a version of the proposal in which he used placeholders for copied text, and that proper citations and references were present in a "final" version. The "final" version that he provided showed changes only to the text which we had originally identified, suggesting that the final version was created after we contacted the PI. The PI's university determined that plagiarism also existed in a proposal submitted by the PI to another agency. Because the proposals were used as support in his tenure package, the university dismissed the professor. We recommended that NSF require certifications and assurances for three years, and a concurrent prohibition from service to NSF as a reviewer, consultant, or advisor.

Professor Copies Portions of His Proposal's Proposed Research Plan

A professor at a Virginia university submitted two NSF proposals containing plagiarism. One of the proposals contained copied text in the research plan taken from another researcher's proposal. The professor told us that his citation was adequate, and that he "had no intention of taking the author's technical idea or copying his writing without giving him full credit."

The university investigation concluded the professor plagiarized and that his actions represented a pattern of plagiarism. It required him to submit all of his proposals, papers, and manuscripts for plagiarism review for five years.

We concurred with the university's conclusions and recommended that NSF require the professor to provide certifications and assurances for two years, and require he certify compliance with the university-imposed requirements.

Full Professor Claims Ignorance of Quotation Marks

A full professor at a Michigan university who plagiarized text into an NSF proposal asserted that he was unaware of the need for quotation marks, stating, “I really didn’t know actually when you copy, you need to put quotation.” The university rejected this excuse after finding the professor attributed text properly in 22 of his other papers, also noting the professor had already completed RCR training. They imposed three years of certifications and assurances, and required him to attend in-person remedial training at his own expense.

The NSF program officer determined that the plagiarized text would have been material to the funding decision. We concluded that the professor knowingly plagiarized and recommended that NSF terminate the award early, recover funds already spent, impose two years of certifications and assurances, and impose a ban of the same length on serving as an NSF reviewer, consultant, or advisor.

Professor’s Claim of Technically-Constrained Language Dispelled

An Illinois PI plagiarized into four NSF proposals. The PI claimed that the copied text was technically constrained, or that he had permission to use the text verbatim without citing its source. The university investigation determined the PI knowingly committed plagiarism in two of the four proposals. The university concluded that the copied text in the other two proposals was technically constrained — that is, it could only be expressed in a limited number of ways. The university also determined that the permission the PI described was solicited after we initiated our investigation.

The university required that for one year the PI’s department chair must certify that his submitted proposals are free of plagiarism. Additionally, the PI was directed to write a report to the investigation committee on proper citation practices. We recommended that NSF impose a two-year period of certifications and assurances, and a concurrent prohibition from service to NSF as a reviewer, consultant, or advisor.

University Removes Professor from Funded Project Due to Plagiarism

A professor at a Georgia university submitted two NSF proposals containing plagiarism, one of which NSF funded. The university investigation concluded that the professor committed plagiarism, removed her from the awarded project, excluded her from receiving or applying for federal funding for one year, and required her to implement a university-approved responsible conduct of research plan.

We concurred with the university and found that a journal article the professor authored also contained plagiarism, which directly contradicted statements she made to her university. We recommended NSF require the professor to provide certifications and assurances for two years, and require that she certify compliance with university-imposed requirements.

Professor Claims Quotation Marks Not Needed for Directly Copied Text

A Mississippi PI plagiarized in multiple NSF proposals. He explained to us that his community standards allowed verbatim copied text to be attributed by including a reference to the author at the end of the block of text, and did not require quotation marks. The university committee which investigated the matter disagreed with that interpretation of professional standards, and identified numerous examples of copied text appearing in the NSF proposals without reference attribution.

The university concluded that the PI committed research misconduct and imposed a formal reprimand, a prohibition from writing and submitting grant proposals for one year, completion within one year of courses on ethics in scientific research, responsible conduct of research, and scientific writing, three-years monitoring of grant activities by a university Dean, and enlistment of the services of a professional editor. We recommended that NSF impose certifications and assurances for two years, and a concurrent prohibition from service to NSF as a reviewer, consultant, or advisor.

PI Responsible for Copied Text in Funded NSF Proposal

An associate professor at a Massachusetts university was solely responsible for plagiarism in multiple NSF proposals. The university investigation concluded that the PI recklessly engaged in acts constituting a pattern of plagiarism. The university required the PI to develop, obtain approval, and then present a workshop related to responsible conduct of research in STEM proposals; and, for three years, to submit external research proposals to the university's research administration office three days before the internal deadlines. We concurred that the PI recklessly committed plagiarism and recommended that NSF require the PI to provide certifications and assurances for one year.

Alleged Plagiarism Leads to Award Suspension

A PI from a Puerto Rican university included a significant amount of apparently copied material in a funded NSF proposal. We interviewed the program officer, who concluded that the allegedly plagiarized

text was material to her decision to fund the award. Based on our recommendation, NSF suspended the award — with \$150,637 unexpended — pending completion of our investigation.

Actions by NSF Management on Previously Reported Research Misconduct Investigations

NSF has taken administrative action to address our recommendations on 7 research misconduct cases reported in previous semiannual reports. In each case, NSF made a finding of research misconduct, issued a letter of reprimand, and required RCR training. NSF also took additional significant actions in response to our recommendations as summarized below.

- In the case of a Florida PI and co-PI who plagiarized material into multiple NSF proposals¹⁹, NSF proposed a one-year debarment for each, and four years of certifications and assurances. The co-PI appealed the action, and NSF's decision is pending.
- In the case of an associate professor at a California university who plagiarized text into four proposals to NSF, one of which was awarded²⁰, NSF imposed two years of certifications and assurances and also barred the professor from service to NSF as a reviewer, consultant, or advisor for two years.
- In the case of a professor at a Florida university who plagiarized text in eight proposals to NSF²¹, NSF imposed a one-year debarment followed by three years of certifications and assurances. For three years NSF also barred the professor from service to NSF as a reviewer, consultant, or advisor.
- In the case of an assistant professor in Maine who plagiarized text into five NSF proposals²², NSF imposed three years of certifications and assurances, and a ban on serving as an NSF reviewer, consultant, or advisor.
- In the case of a Missouri graduate student who falsified data that appeared in multiple (now retracted) publications²³, NSF proposed a five-year debarment and three subsequent years of certifications and assurances.

¹⁹ September 2014 Semiannual Report, p.26.

²⁰ September 2014 Semiannual Report, p.29.

²¹ March 2014 Semiannual Report, p.23.

²² September 2014 Semiannual Report, pp.28-29.

²³ September 2014 Semiannual Report, p.26.

- In the case of a Kansas professor who extensively plagiarized in two review articles citing NSF support²⁴, NSF required two years of certifications and assurances.
- In the case of a New York PI who plagiarized²⁵, NSF required certifications and assurances for three years, and prohibited the PI from serving as a reviewer, consultant, or advisor for three years.

²⁴ September 2014 Semiannual Report, p.28.

²⁵ September 2014 Semiannual Report, p.28.

Other Changes in Regulations

DATA Act: One-Page Summary for FDP

FDP Open Government Subcommittee - July 1, 2014

Background

The Digital Accountability and Transparency Act of 2014 (Public Law 113-101) was signed by President Obama on 5/9/2014. This law amends the existing FFATA (Transparency Act) requirements for making the details of Federal spending more transparent to the public. Like FFATA, USASpending.gov will be the primary source for public information under this law. It will contain data supplied by both Federal agencies and by Federal contractors/grantees.

Grantee/Contractor Reporting Requirements

Few specific requirements were included in the Act. Instead, OMB and Treasury have one year to define common data elements for financial and payment information reporting. This must be done in coordination with public and private stakeholders. Reporting by grantees/contractors must begin no later than two years after these data elements are finalized by OMB/Treasury (three years after enactment).

- A **unique Federal identifier** will be required for all awards
- DATA Act does not specify reporting **frequency or level** of subaward reporting
- FDP anticipates reporting will build upon existing FFATA reporting requirements.

Reductions in Grantee Reporting Burden

The law includes a variety of provisions to ensure that the DATA Act does not end up significantly increasing administrative burden of Federal recipients. This may include changes to both transparency reporting as well as recipient financial reporting requirements.

- Once data elements are finalized a two-year pilot program (covering \$1 - \$2 billion in awards) begins to evaluate the burden and effectiveness of the new requirements.
- A report on the **Pilot** must be issued after the first year with recommendations on:
 - Standardizing reporting elements,
 - Eliminating financial reporting duplication,
 - Reducing compliance costs, and
 - Automating financial reporting to increase efficiency and reduce recipient costs.

Federal Agency Reporting Requirements

Agencies will continue to report award-specific information to USASpending.gov in line with requirements laid out by Treasury. Additionally, agencies will report at least quarterly on the following information based on yearly appropriations:

- Amount appropriated and obligated for each appropriations account,
- Amount of funds obligated/outlayed for each Federal budget program activity,
- Amount of funds obligated/outlayed for each budget object class, and
- Amount obligated (by object class) for each Federal budget program activity.

DATA Act: Timeline for FDP Institutions

FDP Open Government Subcommittee - July 1, 2014

| | |
|-------------|--|
| May 9, 2014 | DATA Act signed into law (Public Law 113-101) |
| May 9, 2015 | OMB and Treasury finalize government-wide financial standards, including common data elements, unique award identifiers, and fields. |
| | Begin pilot program on recipient reporting based on common data elements defined by OMB and Treasury |
| May 9, 2016 | Initial report due to Congress on lessons learned from pilot reporting program |
| May 9, 2017 | Recipient reporting begins on all Federal funds based on common data elements defined by OMB and Treasury |
| | Agency reporting begins on spending from each appropriations account |
| | Pilot program on recipient reporting ends |

Reminder: NIH Policy on Application Compliance

Notice Number: NOT-OD-15-095

Key Dates

Release Date: April 15, 2015

Related Announcements

None

Issued by

National Institutes of Health ([NIH](#))

Purpose

The purpose of this notice is to remind applicants, both investigators and grants office officials, that to be fair to all concerned the NIH needs to consistently apply standards for application compliance.

Policy

Be mindful that non-compliance can have serious consequences. NIH may withdraw any application identified during the receipt, referral and review process that is not compliant with the instructions in the SF424 (R&R) Application Guide, the Funding Opportunity Announcement, and relevant NIH Guide Notices.

Some **examples** of how this policy is applied to NIH applications *include but are not limited to*:

- Applications containing one or more biosketches that do not conform to the required format may be withdrawn ([NOT-OD-15-032](#)).
- Applications that do not conform to the page limit requirements because inappropriate materials have been included in other parts of the application may be withdrawn ([NOT-OD-11-080](#)).
- Applications submitted as new but containing elements of a resubmission or renewal application are noncompliant with the resubmission policy and may be withdrawn ([NOT-OD-15-059](#)).
- Applications submitted after 5 PM local (applicant organization) time on the application due date may be withdrawn ([NOT-OD-15-039](#)).

It is important to remember that these are just examples, and that all requirements specified in the SF424 (R&R) Application Guide, the Funding Opportunity Announcement, and relevant NIH Guide Notices are to be followed. When in doubt about compliance policy, contact NIH "Grants Info" or the Division of Receipt and Referral as listed below.

If an application is withdrawn because it does not conform to the application preparation and submission instructions, a letter will be placed in the eRA Commons Status page for that application. The PD/PI and the AOR from the applicant organization will be notified by eRA Commons to access their account and view the explanatory letter.

Inquiries

Please direct all inquiries to:

Simplifying the NIH Policy for Late Application Submission

Notice Number:

NOT-OD-15-039

Key Dates

Release Date: December 17, 2014

Related Announcements

[NOT-OD-11-035](#)

Issued by

National Institutes of Health ([NIH](#))

Purpose

This Notice provides information about a new simplified policy for late application submission. Specifically, there is now a **two week window of consideration** after the application due date, during which time NIH might consider accepting a late application (see details below). This is a significant change from previous policy, which tied different late windows of consideration to different types of applications, and provided no late window of consideration for applications submitted to any RFA (Request for Applications) or PAR (Program Announcement) with special application due dates.

The Notice consolidates policy from previous Notices (including [NOT-OD-11-035](#)) on late application submission, updates the policy on late applications in relation to changes in other NIH policies and procedures, and includes additional guidance on application submission policies.

This new policy is effective for applications submitted for due dates on or after January 25, 2015. The policy will not be applied retroactively. This means that RFAs and PARs with special due dates published on or before December 17, 2014 will follow the policy described in [NOT-OD-11-035](#).

Policy

Window of Consideration for Late Application Submission

There is a **two week window of consideration** after the application due date, during which time NIH **might consider** accepting a late application (see details below). When the application due date falls on a weekend or Federal holiday, and is extended to the next business day, the window of consideration for late submission of applications will be calculated from that business day. Acceptance of late applications will be made on a case-by-case basis, dependent upon the explanation provided in a cover letter submitted with the application.

NIH will not consider accepting late applications under the following circumstances:

- RFAs that must be reviewed on a compressed timeline and that have declared, in the Application Due Date field, “No late applications will be accepted for this Funding Opportunity Announcement”.
- New Investigator R01 applications resubmitted on special due dates (April 10, August 10, and December 10) as part of the New Investigator Initiative (<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-001.html>) because the submission deadline for these applications has already been extended by several weeks.
- Additional circumstances as outlined below.

| Funding Opportunity Announcement Type | | | |
|--|--------|--------|---|
| PA* | PAR | RFA | |
| 2 week | 2 week | 2 week | |
| | | none | Application Due Dates Field states: "No late applications will be accepted for this Funding Opportunity Announcement" |
| *Includes PAS: Program Announcement with Set-Aside Funds | | | |

NIH does not expect to accept any applications received beyond the window of consideration or for RFAs that specify no late applications will be accepted.

Please be aware that any reasons for late submission must be in relation to the individual(s) with the PD/PI role on the application. For multiple PD/PI (MPI) applications, the reasons may apply to any or all of the PD/PIs. This accommodation does not apply to co-Investigators, project leaders in a multi-component application, or other Key Persons listed in an application (unless they also have MPI status).

Examples of Reasons Why Late Applications Might Be Accepted

- Death of an immediate family member of the PD/PI (or MPI).
- Sudden acute severe illness of the PD/PI (MPI) or immediate family member.
- Temporary or ad hoc service by a PD/PI on an NIH advisory group during **the two months preceding or the two months following** the application due date. Examples of qualifying service include: participation in an NIH study section/special emphasis panel, NIH Board of Scientific Counselors, Program Advisory Committee, or an NIH Advisory Board/Council. Qualifying service does not include participation in NIH activities **other than** those involved in extramural/intramural peer review or NIH Advisory Council/Board service.
- Delays due to weather, [natural disasters, or other emergency situations](#), not to exceed the time the applicant organization is closed.
- For PD/PIs who are eligible for continuous submission (http://grants.nih.gov/grants/peer/continuous_submission.htm), the late application policy applies to activities not covered under the continuous submission policy (i.e., other than R01, R21, and R34 funding opportunities that use standard due dates).

Examples of Reasons Why Late Applications Will Not Be Accepted

- Heavy teaching or administrative responsibilities, relocation of a laboratory, ongoing or non-severe health problems, personal events, participation in review activities for other Federal agencies or private organizations, attendance at scientific meetings, or a very busy schedule.

- Review service for participants other than a PD/PI or MPI, acute health issues or death in the family of a participant other than a PD/PI or MPI.
- Problems with computer systems at the applicant organization, problems with a system-to-system grant submission service, or failure to complete or renew required registrations in advance of the application due date.
- Failure to follow instructions in the Application Guide or funding opportunity announcement.
- Correction of errors or addressing warnings after 5 PM local (applicant organization) time on the application due date. Applicants are encouraged to submit in advance of the due date to allow time to correct errors and/or address warnings identified in the NIH validation process.

No Advance Permission Is Given for Late Applications

It is important to emphasize that these various examples are just that, examples. No NIH staff member, whether in the Center for Scientific Review or any of the other NIH Institutes/Centers, has the authority to give permission in advance for submission of a late application. Contacting the Division of Receipt and Referral or any other component of the NIH will not lead to either permission to submit late or to the evaluation or approval of the reasons for a delay.

Problems with Federal Computer Systems

Applicants must follow the directions provided at <http://grants.nih.gov/grants/ElectronicReceipt/support.htm#guidelines> to report Federal computer system issues that threaten the timely submission of a grant application. NIH will investigate reports of Federal computer [system issues](#) on a case-by-case basis. If the eRA Commons Help Desk confirms a Federal computer system issue, the application will not be considered late so long as the applicant works diligently with the Help Desk to ensure the submission process is completed in a timely manner. Federal computer systems include: Grants.gov, eRA Commons, ASSIST, SAM (Systems for Award Management), Defense Logistics Agency (CAGE code), and the US Small Business Administration.

Note that problems with computer systems at the applicant organization or system-to-system grant submission service, failure to follow instructions in the Application Guide or funding opportunity announcement, or failure to complete required registrations by the submission deadline are not considered system issues. NIH is under no obligation to accept applications that are late for these reasons.

Reminders

On Time Submission

- NIH expects that applications will be submitted on time.
- On time submission means an application is submitted error free no later than 5 P.M. local (applicant organization) time on the application due date.
- There is no error correction window that extends a submission deadline. This means that an error free, corrected application addressing any errors found by federal systems (e.g., Grants.gov or eRA Commons) must also be submitted by 5 P.M. local (applicant organization) time on the application due date.
- When application due dates fall on a weekend or Federal holiday, they are extended to the next business day.

Late Submission

The NIH policy on late application submission is stated in the [SF424 \(R&R\) Application Guide](#).

- Permission for late application submission is not granted in advance.
- In some cases (see details, below), applications might be accepted after the application due date. A cover letter explaining the reasons for the delay must be included with the application.
- While the reasons for late application submission are sometimes personal in nature, specific information about the timing and cause of the delay should be provided so an informed, objective decision can be made. Only the explanatory letter is needed; no other documentation is expected. This letter is available only to NIH staff who have a need to know (such as those with referral or review responsibilities); it is not available to reviewers or other staff.
- Applications submitted late, without an explanatory cover letter or outside the late window of consideration, will not be processed, reviewed, or considered for funding.

Terms and conditions of the NIH [Continuous Submission](#) policy are not affected by this change in the late application submission policy.

Terms and conditions of the [NIH Natural Disaster policy](#) are not affected by this change in the late application submission policy.

Inquiries

Please direct all inquiries to:

Division of Receipt and Referral
Center for Scientific Review
csrdrr@mail.nih.gov

Or

NIH Review Policy Officer
NIH Office of Extramural Research
ReviewPolicyOfficer@mail.nih.gov

[Weekly TOC for this Announcement](#)
[NIH Funding Opportunities and Notices](#)



NIH... Turning Discovery Into Health®

Delays in Grant Application Submission due to Severe Summer Weather and other Natural Disasters/Emergencies

Notice Number: NOT-OD-15-108

Key Dates

Release Date: May 29, 2015

Related Announcements

None

Issued by

National Institutes of Health ([NIH](#))

Purpose

The NIH is aware of the disruption caused by recent severe storms in Texas and Oklahoma. Seasonal natural disasters such as floods, tornadoes, hurricanes, and forest fires may negatively impact an affected applicant organization's ability to make an on-time grant application submission. **When applications cannot be submitted because the applicant organization is officially closed due to a natural disaster or other emergency, the NIH will consider accepting those applications late, on a case-by-case basis, under the following circumstances:**

- Applications must be submitted as soon as possible after the applicant organization/institution re-opens, **not to exceed the number of days the applicant organization was officially closed.**
- A cover letter must be submitted with the application, with enough detail about the delay so that NIH staff can make a determination whether circumstances justify accepting the application late.

Also, please note:

- Advanced permission to submit late after a disaster-related delay is not required.
- Although the NIH will often issue a Guide Notice like this one, the policy still applies to other disasters and emergencies, including those of a more limited or local nature that are not discussed in a separate NIH Guide Notice.

The NIH has established a web page about the NIH Extramural Response to Natural Disasters that provides information on a variety of topics: http://grants.nih.gov/grants/natural_disasters.htm

Inquiries

Please direct all inquiries to:

Division of Receipt and Referral
Center for Scientific Review (CSR)
Telephone: 301-435-0715
Email: csrdr@mail.nih.gov

[Weekly TOC for this Announcement](#)
[NIH Funding Opportunities and Notices](#)

Update: New Biographical Sketch Format Required for NIH and AHRQ Grant Applications Submitted for Due Dates on or After May 25, 2015

Notice Number:

NOT-OD-15-032

Key Dates

Release Date: December 5, 2014

Related Announcements

[NOT-OD-15-024](#)

Issued by

National Institutes of Health ([NIH](#))

Agency for Healthcare Research and Quality ([AHRQ](#))

Purpose

This Notice supersedes [NOT-OD-15-024](#) about the NIH and AHRQ requirement for use of a new biosketch format and provides some latitude in the transition for those who have already been compiling biosketches for their large grant applications with deadlines in early in 2015.

NIH and AHRQ encourages applicants to use the newly published biosketch format for all grant and cooperative agreement applications submitted for due dates on or after January 25, 2015, and will require use of the new format for applications submitted for due dates on or after May 25, 2015. Applicants may submit using the new biosketch format for due dates before January 25, 2015, if they wish.

New Format

The revised forms and instructions are now available on the [SF 424 \(R&R\) Forms and Applications page](#) and adjustments have been made to improve their usability.

Individual fellowships, R36 dissertation grants, and diversity supplements should use the [Fellowship Application Biographical Sketch Format Page and related pre-doc and post-doc instructions and samples](#), while research grant applications, career development, training grant, and **all other application types** should use the general [Biographical Sketch Format Page and instructions and sample](#).

The new format extends the page limit for the biosketch from four to five pages, and allows researchers to describe up to five of their most significant contributions to science, along with the historical background that framed their research. Investigators can outline the central findings of prior work and the influence of those findings on the investigator's field. Investigators involved in Team Science are provided the opportunity to describe their specific role(s) in the work. Each description can be accompanied by a listing of up to four relevant peer-reviewed publications or other non-publication

research products, including audio or video products; patents; data and research materials; databases; educational aids or curricula; instruments or equipment; models; protocols; and software or netware that are relevant to the described contribution. In addition to the descriptions of specific contributions and documentation, researchers will be allowed to include a link to a full list of their published work as found in a publicly available digital database such as [MyBibliography](#) or [SciENcv](#).

Tool to Help Build the New Biosketch

The Science Experts Network Curriculum Vitae ([SciENcv](#)), which serves as an interagency system designed to create biosketches for multiple federal agencies, will be updated by the end of December to support the new biosketch format and to address some issues found in testing.

SciENcv pulls information from available resources making it easy to develop a repository of information that can be readily updated and modified to prepare future biosketches. A [YouTube video](#) provides instructions for using SciENcv.

Additional Information

Note that having a different biosketch format than other applications being reviewed in the same panel is not grounds for appeal.

See [FAQs](#) for additional information.

Inquiries

Please direct all inquiries to:

Grants Information
Office of Extramural Research (OER)
National Institutes of Health (NIH)
Phone: 301-435-0714
Email: GrantsInfo@nih.gov

[Weekly TOC for this Announcement](#)
[NIH Funding Opportunities and Notices](#)



NIH... Turning Discovery Into Health®

BIOGRAPHICAL SKETCH

Provide the following information for the Senior/key personnel and other significant contributors.
Follow this format for each person. DO NOT EXCEED FIVE PAGES.

NAME:

eRA COMMONS USER NAME (credential, e.g., agency login):

POSITION TITLE:

EDUCATION/TRAINING *(Begin with baccalaureate or other initial professional education, such as nursing, include postdoctoral training and residency training if applicable. Add/delete rows as necessary.)*

| INSTITUTION AND LOCATION | DEGREE (if applicable) | Completion Date MM/YYYY | FIELD OF STUDY |
|--------------------------|------------------------------|-------------------------------|----------------|
| | | | |
| | | | |
| | | | |
| | | | |

NOTE: The Biographical Sketch may not exceed five pages. Follow the formats and instructions below.

A. Personal Statement

Briefly describe why you are well-suited for your role in the project described in this application. The relevant factors may include aspects of your training; your previous experimental work on this specific topic or related topics; your technical expertise; your collaborators or scientific environment; and your past performance in this or related fields (you may mention specific contributions to science that are not included in Section C). Also, you may identify up to four peer reviewed publications that specifically highlight your experience and qualifications for this project. If you wish to explain impediments to your past productivity, you may include a description of factors such as family care responsibilities, illness, disability, and active duty military service.

B. Positions and Honors

List in chronological order previous positions, concluding with the present position. List any honors. Include present membership on any Federal Government public advisory committee.

C. Contribution to Science

Briefly describe up to five of your most significant contributions to science. For each contribution, indicate the historical background that frames the scientific problem; the central finding(s); the influence of the finding(s) on the progress of science or the application of those finding(s) to health or technology; and your specific role in the described work. For each of these contributions, reference up to four peer-reviewed publications or other non-publication research products (can include audio or video products; patents; data and research materials; databases; educational aids or curricula; instruments or equipment; models; protocols; and software or network) that are relevant to the described contribution. The description of each contribution should be no longer than one half page including figures and citations. Also provide a URL to a full list of your published work as found in a publicly available digital database such as SciENcv or My Bibliography, which are maintained by the US National Library of Medicine.

D. Research Support

List both selected ongoing and completed research projects for the past three years (Federal or non-Federally-supported). *Begin with the projects that are most relevant to the research proposed in the application.* Briefly indicate the overall goals of the projects and responsibilities of the key person identified on the Biographical Sketch. Do not include number of person months or direct costs.

SAMPLE

BIOGRAPHICAL SKETCH

Provide the following information for the Senior/key personnel and other significant contributors.
Follow this format for each person. **DO NOT EXCEED FIVE PAGES.**

NAME: Hunt, Morgan Casey

eRA COMMONS USER NAME (credential, e.g., agency login): huntmc

POSITION TITLE: Associate Professor of Psychology

EDUCATION/TRAINING *(Begin with baccalaureate or other initial professional education, such as nursing, include postdoctoral training and residency training if applicable. Add/delete rows as necessary.)*

| INSTITUTION AND LOCATION | DEGREE (if applicable) | Completion Date MM/YYYY | FIELD OF STUDY |
|------------------------------------|---------------------------|----------------------------|--------------------------------|
| University of California, Berkeley | B.S. | 05/1990 | Psychology |
| University of Vermont | Ph.D. | 05/1996 | Experimental Psychology |
| University of California, Berkeley | Postdoctoral | 08/1998 | Public Health and Epidemiology |

A. Personal Statement

I have the expertise, leadership, training, expertise and motivation necessary to successfully carry out the proposed research project. I have a broad background in psychology, with specific training and expertise in ethnographic and survey research and secondary data analysis on psychological aspects of drug addiction. My research includes neuropsychological changes associated with addiction. As PI or co-Investigator on several university- and NIH-funded grants, I laid the groundwork for the proposed research by developing effective measures of disability, depression, and other psychosocial factors relevant to the aging substance abuser, and by establishing strong ties with community providers that will make it possible to recruit and track participants over time as documented in the following publications. In addition, I successfully administered the projects (e.g. staffing, research protections, budget), collaborated with other researchers, and produced several peer-reviewed publications from each project. As a result of these previous experiences, I am aware of the importance of frequent communication among project members and of constructing a realistic research plan, timeline, and budget. The current application builds logically on my prior work. During 2005-2006 my career was disrupted due to family obligations. However, upon returning to the field I immediately resumed my research projects and collaborations and successfully competed for NIH support.

1. Merrylye, R.J. & Hunt, M.C. (2004). Independent living, physical disability and substance abuse among the elderly. *Psychology and Aging*, 23(4), 10-22.
2. Hunt, M.C., Jensen, J.L. & Crenshaw, W. (2007). Substance abuse and mental health among community-dwelling elderly. *International Journal of Geriatric Psychiatry*, 24(9), 1124-1135.
3. Hunt, M.C., Wiechelt, S.A. & Merrylye, R. (2008). Predicting the substance-abuse treatment needs of an aging population. *American Journal of Public Health*, 45(2), 236-245. PMID: PMC9162292 Hunt, M.C., Newlin, D.B. & Fishbein, D. (2009). Brain imaging in methamphetamine abusers across the life-span. *Gerontology*, 46(3), 122-145.

B. Positions and Honors**Positions and Employment**

1998-2000 Fellow, Division of Intramural Research, National Institute of Drug Abuse, Bethesda, MD
2000-2002 Lecturer, Department of Psychology, Middlebury College, Middlebury, VT

2001- Consultant, Coastal Psychological Services, San Francisco, CA
 2002-2005 Assistant Professor, Department of Psychology, Washington University, St. Louis, MO
 2007- Associate Professor, Department of Psychology, Washington University, St. Louis, MO

Other Experience and Professional Memberships

1995- Member, American Psychological Association
 1998- Member, Gerontological Society of America
 1998- Member, American Geriatrics Society
 2000- Associate Editor, Psychology and Aging
 2003- Board of Advisors, Senior Services of Eastern Missouri
 2003-05 NIH Peer Review Committee: Psychobiology of Aging, ad hoc reviewer
 2007-11 NIH Risk, Adult Addictions Study Section, members

Honors

2003 Outstanding Young Faculty Award, Washington University, St. Louis, MO
 2004 Excellence in Teaching, Washington University, St. Louis, MO
 2009 Award for Best in Interdisciplinary Ethnography, International Ethnographic Society

C. Contribution to Science

1. My early publications directly addressed the fact that substance abuse is often overlooked in older adults. However, because many older adults were raised during an era of increased drug and alcohol use, there are reasons to believe that this will become an increasing issue as the population ages. These publications found that older adults appear in a variety of primary care settings or seek mental health providers to deal with emerging addiction problems. These publications document this emerging problem but guide primary care providers and geriatric mental health providers to recognize symptoms, assess the nature of the problem and apply the necessary interventions. By providing evidence and simple clinical approaches, this body of work has changed the standards of care for addicted older adults and will continue to provide assistance in relevant medical settings well into the future. I served as the primary investigator or co-investigator in all of these studies.
 - a. Gryczynski, J., Shaft, B.M., Merrylye, R., & Hunt, M.C. (2002). Community based participatory research with late-life addicts. *American Journal of Alcohol and Drug Abuse*, 15(3), 222-238.
 - b. Shaft, B.M., Hunt, M.C., Merrylye, R., & Venturi, R. (2003). Policy implications of genetic transmission of alcohol and drug abuse in female nonusers. *International Journal of Drug Policy*, 30(5), 46-58.
 - c. Hunt, M.C., Marks, A.E., Shaft, B.M., Merrylye, R., & Jensen, J.L. (2004). Early-life family and community characteristics and late-life substance abuse. *Journal of Applied Gerontology*, 28(2), 26-37.
 - d. Hunt, M.C., Marks, A.E., Venturi, R., Crenshaw, W. & Ratonian, A. (2007). Community-based intervention strategies for reducing alcohol and drug abuse in the elderly. *Addiction*, 104(9), 1436-1606. PMID: PMC9000292
2. In addition to the contributions described above, with a team of collaborators, I directly documented the effectiveness of various intervention models for older substance abusers and demonstrated the importance of social support networks. These studies emphasized contextual factors in the etiology and maintenance of addictive disorders and the disruptive potential of networks in substance abuse treatment. This body of work also discusses the prevalence of alcohol, amphetamine, and opioid abuse in older adults and how networking approaches can be used to mitigate the effects of these disorders.
 - a. Hunt, M.C., Merrylye, R. & Jensen, J.L. (2005). The effect of social support networks on morbidity among elderly substance abusers. *Journal of the American Geriatrics Society*, 57(4), 15-23.
 - b. Hunt, M.C., Pour, B., Marks, A.E., Merrylye, R. & Jensen, J.L. (2005). Aging out of methadone treatment. *American Journal of Alcohol and Drug Abuse*, 15(6), 134-149.
 - c. Merrylye, R. & Hunt, M.C. (2007). Randomized clinical trial of cotinine in older nicotine addicts. *Age and Ageing*, 38(2), 9-23. PMID: PMC9002364
3. Methadone maintenance has been used to treat narcotics addicts for many years but I led research that has shown that over the long-term, those in methadone treatment view themselves negatively and they

gradually begin to view treatment as an intrusion into normal life. Elderly narcotics users were shown in carefully constructed ethnographic studies to be especially responsive to tailored social support networks that allow them to eventually reduce their maintenance doses and move into other forms of therapy. These studies also demonstrate the policy and commercial implications associated with these findings.

- a. Hunt, M.C. & Jensen, J.L. (2003). Morbidity among elderly substance abusers. *Journal of the Geriatrics*, 60(4), 45-61.
- b. Hunt, M.C. & Pour, B. (2004). Methadone treatment and personal assessment. *Journal Drug Abuse*, 45(5), 15-26.
- c. Merryle, R. & Hunt, M.C. (2005). The use of various nicotine delivery systems by older nicotine addicts. *Journal of Ageing*, 54(1), 24-41. PMID: PMC9112304
- d. Hunt, M.C., Jensen, J.L. & Merryle, R. (2008). *The aging addict: ethnographic profiles of the elderly drug user*. NY, NY: W. W. Norton & Company.

Complete List of Published Work in MyBibliography:

<http://www.ncbi.nlm.nih.gov/sites/myncbi/collections/public/1PgT7IEFIAJBtGMRDdWFmjWAO/?sort=date&direction=ascending>

D. Research Support

Ongoing Research Support

R01 DA942367 Hunt (PI) 09/01/08-08/31/16
 Health trajectories and behavioral interventions among older substance abusers
 The goal of this study is to compare the effects of two substance abuse interventions on health outcomes in an urban population of older opiate addicts.
 Role: PI

R01 MH922731 Merryle (PI) 12/15/07-11/30/15
 Physical disability, depression and substance abuse in the elderly
 The goal of this study is to identify disability and depression trajectories and demographic factors associated with substance abuse in an independently-living elderly population.
 Role: Co-Investigator

Faculty Resources Grant, Washington University 08/15/09-08/14/15
 Opiate Addiction Database
 The goal of this project is to create an integrated database of demographic, social and biomedical information for homeless opiate abusers in two urban Missouri locations, using a number of state and local data sources.
 Role: PI

Completed Research Support

R21 AA998075 Hunt (PI) 01/01/11-12/31/13
 Community-based intervention for alcohol abuse
 The goal of this project was to assess a community-based strategy for reducing alcohol abuse among older individuals.
 Role: PI

Revised Timeline for Administrative Changes to NIH Domestic Awards to Transition to Payment Management System Subaccounts

Notice Number: NOT-OD-14-103

Key Dates

Release Date: July 11, 2014

Related Announcements

[NOT-OD-14-093 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-093.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-093.html)

[NOT-OD-13-120 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html)

[NOT-OD-13-112 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-112.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-112.html)

[NOT-OD-13-111 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-111.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-111.html)

[NOT-OD-13-079 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-079.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-079.html)

[NOT-OD-12-139 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-139.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-12-139.html)

Issued by

National Institutes of Health ([NIH \(http://www.nih.gov\)](http://www.nih.gov))

Purpose

This Notice alerts grantees to a change in the implementation timeline, previously announced in [NOT-OD-13-120 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html) and [NOT-OD-14-093 \(http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-093.html\)](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-093.html), for the NIH transition to new U.S. Department of Health and Human Services (HHS) payment policies for domestic, non-competing continuation awards and use of [Payment Management System \(http://www.dpm.psc.gov/access_pms/system_status.aspx\)](http://www.dpm.psc.gov/access_pms/system_status.aspx) (PMS) subaccounts. It also announces a change in how competitive revisions/administrative supplements (Type-3s) awards will be processed.

This Notice only applies to domestic non-competing continuation awards that have not yet transitioned to PMS subaccounts. In response to critical feedback from the grantee community, NIH requested an amendment to its subaccount implementation plan to delay the transition of domestic, non-competing continuation awards to PMS subaccounts for an additional year; e.g., now beginning October 1, 2015. HHS's Office of the Assistant Secretary for Financial Resources recently approved the request. This additional time is provided to allow grantees to prepare their systems to accommodate the changes. Grantee with inadequate systems in place to appropriately manage this transition by October 1, 2015, may be unable to appropriately access PMS accounts and risk losing their ability to draw down funding. Grantees are advised that there will be no additional implementation delays considered and no exceptions granted to the deadline. As of October 1, 2015, NIH will utilize only subaccounts for awarding grant funds. Every grant that is awarded funding in FY 2016 (whether it be in the first, second, third or fourth quarter of FY 2016) will be in a subaccount.

NIH will continue transitioning payment of grant awards with new document numbers to domestic

institutions to PMS subaccounts in FY 2015 as announced in Notice [NOT-OD-13-120](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html) (<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-13-120.html>). The administrative changes announced in [NOT-OD-14-093](http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-093.html) (<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-093.html>) will now apply to the transition that will occur between October 1, 2015 and September 30, 2016. This Notice reiterates those administrative changes for non-competing, continuation awards and highlights the revised implementation timelines and T-3 award process for all domestic awards.

Revised Implementation Timeline

The transition of all NIH awards to PMS subaccounts is anticipated to be complete by September 30, 2016.

Implementation for Domestic Awards with New Document Numbers

NIH will continue to transition payment for all domestic awards with new document numbers (i.e., Type 1, Type 2, Type 4, Type 6, Type 7, and Type 9) from PMS pooled accounts (G accounts) to PMS subaccounts (P subaccounts). For these types of awards, PMS will establish subaccounts for each NIH award made on or after October 1, 2013. All subsequent non-competing continuation awards to these grants will also be issued in subaccounts.

Implementation for Domestic Type 3 Awards

Please be aware that beginning with awards issued on/after October 1, 2015, competitive revisions/administrative supplements (Type 3s) issued to domestic awards, will now also be issued in a P subaccount. This is a change from the previously announced plan and is regardless of whether the parent grant is still in PMS pooled accounts (G accounts) or has transitioned to PMS subaccounts (P subaccounts).

Implementation for Domestic, Non-Competing Continuation Awards

Implementation for domestic, non-competing awards has been delayed by one fiscal year; this implementation will now occur between October 1, 2015 and September 30, 2016. NIH will transition payment for all continuing domestic awards (i.e., Type 5 and Type 8) awards that have not yet transitioned to subaccounts from PMS pooled accounts (G accounts) to PMS subaccounts (P subaccounts). For these types of awards, PMS will establish subaccounts for each NIH award made on or after October 1, 2015.

- For domestic grants with a non-competing continuation year of funding in fiscal year (FY) 2016 (October 1, 2015 – September 30, 2016), NIH will use a technical process to shift the funding from PMS G accounts to PMS P subaccounts by issuing all FY 2016 non-competing continuation awards that have not yet transitioned to subaccounts as Type 4 awards (funded extension awards). This means that all domestic Type 5 awards (non-competing continuation awards) and Type 8 awards (non-competing continuation awards with a change of awarding Institute or Center), will be issued as Type 4s during the transition period.
- In addition to changing the record Type and the document number for the FY 2016 award, NIH will change the project period end date of the FY 2015 award when the FY 2016 award is issued. The project period end date will be changed to the budget period end date. This effectively breaks the single competitive segment into two shorter "administrative segments." The change will be reflected in the eRA Commons; however, NIH will not issue a revised Notice of Award (NoA) for the FY 2015 award.
- Therefore, the FY 2015 award becomes the final year of the first "administrative segment" and

- requires Federal Financial Report (FFR) expenditure data, which is a Subaccount Transitional FFR.
- Records for non-competing continuation progress reports (Type 5s), or in rare instances Type 8s, that have not yet transitioned to subaccounts will be converted to Type 4s. The conversion will be processed internally by NIH.

Applicable Policies for Non-Competing Continuation Awards

- Due Date for Subaccount Transitional FFR: the due date for Subaccount Transitional FFR expenditure reports is no later than 90 days after the end of the calendar quarter in which the budget period ended.
- Unliquidated Obligations on the Subaccount Transitional FFR: if there are unliquidated obligations at the end of the first "administratively shortened" competitive segment, these may be reported on the subaccount transitional FFR expenditure data report.
- Subaccount Transitional FFR for converted SNAP awards: If the award is under Streamlined Non-competing Award Process (SNAP), the grantee will be required to submit subaccount transitional FFR expenditure data that covers the project period from the original start date through the new project period end date.
- Due Date for Progress Reports: There will be no change to the due dates, submission, or review of progress reports for domestic awards for FY 2016.

Please see below for procedural changes in carryover of funds for non-competing continuation awards issued in FY 2016.

Change in Process to Carryover Funds and Federal Financial Reports for Domestic Non-Competing Continuation Awards during FY 2015 (October 1, 2015 – September 30, 2016)

Non-competing continuation progress reports (Type 5s), or in rare instances Type 8s, that were converted to Type 4s to accommodate the change in method of payment from the pooled accounting to subaccounts, require a final FFR for the prior year(s) of the competitive segment before any carryover funds would be available for drawdown in the PMS. However, this requirement does not change the carryover authority listed in Section III of the NoA. If the award was issued with automatic carryover authority, OFM will automatically authorize the carryover in the PMS P subaccount equal to the amount of unobligated balance reported on the FFR.* If the award was issued without carryover authority, OFM will automatically transfer the unobligated balance reported on the FFR to the PMS P subaccount; however, the grantee will still be required to submit a prior approval request to use carryover funds as detailed in the [NIH Grants Policy Statement \(http://grants.nih.gov/grants/policy/nihgps_2012/nihgps_2012.pdf\)](http://grants.nih.gov/grants/policy/nihgps_2012/nihgps_2012.pdf), Section 8.1.1.1. If the request is approved, a revised NoA reflecting the approved carryover amount will be issued and the authorized amount will be reflected in PMS. Failure to submit FFR expenditure data in a timely manner may affect future funding.

*In accordance with existing policy, the GMO will review unobligated balances in excess of 25 percent of the total authorized amount for the budget period and may request additional information from the grantee. If the GMO determines that some or all of the unobligated funds are not necessary to complete the project, the GMO may restrict the grantee's authority to automatically carry over unobligated balances in the future, use the balance to reduce or offset NIH funding for a subsequent budget period, or use a combination of these actions. The GMO's decision about the disposition of the reported unobligated balance will be reflected in the terms and conditions of the NoA.



Proposal and Award Policies and Procedures Guide

NSF 15-1 December 26, 2014

SIGNIFICANT CHANGES AND CLARIFICATIONS TO THE PAPPG

Overall Document

The PAPPG has been revised to implement 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance incorporates language from eight existing Office of Management and Budget (OMB) circulars into one consolidated set of guidance in the Code of Federal Regulations. Additional information on the consolidation effort can be found on the website of the Council on Financial Assistance Reform (COFAR). The **COFAR website** contains many helpful resources, including training webcasts, a crosswalk and side-by-side comparisons of the previous circulars and the new Uniform Guidance document, as well as frequently asked questions. The PAPPG also has been revised to incorporate other significant changes and clarifications unrelated to the Uniform Guidance implementation.

Editorial changes have been made to either clarify or enhance the intended meaning of a sentence or section or ensure consistency with data contained in NSF systems or other NSF policy documents. Throughout the PAPPG, references to previous OMB Circulars have been replaced with references to the appropriate section(s) of 2 CFR § 200. Language has been revised to acknowledge implementation of NSF's new financial system (iTRAK). Terminology has been changed for consistency with the Uniform Guidance and website references and Division or Office names have been updated to reflect current information.

Significant Changes and Clarifications to the PAPPG Introduction

Section B, Forward, contains the National Science Foundation's (NSF's) implementation statement for 2 CFR § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This section also has been supplemented with language to make it clear that when NSF Grant General Conditions or an award notice reference a particular Award & Administration Guide (AAG) section, that section becomes a condition of the award requirements through incorporation by reference.

Section D, Definitions & NSF-Grantee Relationships, has been updated to be consistent with the terminology used in the Uniform Guidance definitions.

Section E, NSF Organizations, has been revised to reflect the current responsibilities of the organizations that are normally of most direct interest to the NSF proposer and awardee community

Section F, NSF Electronic Capabilities Modernization Status, is an entirely new section of the PAPPG Introduction. It was developed to assist the community as NSF transitions our electronic capabilities to Research.gov. The referenced matrix will be updated as appropriate, independent of the annual release of the PAPPG revision cycle. The current version is located at:
http://www.nsf.gov/bfa/dias/policy/estatus_matrix/dec14.pdf.

Significant Changes to the PAPPG Part I: *Grant Proposal Guide (GPG)* to Implement the Uniform Guidance

Chapter II.C.2.g, Budget and Budget Justification, has been modified to reflect that the applicable cost principles may be found in 2 CFR § 200, Subpart E. For-profit entities are subject to the cost principles contained in the Federal Acquisition Regulation, Part 31.

Chapter II.C.2.g(i)(b), Administrative and Clerical Salaries & Wages Policy, has been revised to reflect the conditions under which inclusion of administrative and clerical staff salaries may be appropriate on a proposal budget.

Chapter II.C.2.g(ii), Fringe Benefits, refers proposers to 2 CFR § 200.431 for the definition and allowability of inclusion of fringe benefits on a proposal budget.

Chapter II.C.2.g(iv), Travel, has been revised to state that **all travel** (both domestic and foreign) must now be justified. Additionally, temporary dependent care costs above and beyond regular dependent care that directly result **from travel to conferences** are allowable costs provided that the conditions established in 2 CFR § 200.474 are met. Finally, the definition of what constitutes domestic travel has been revised.

Chapter II.C.2.g(v), Participant Support, has been clarified to reflect that any additional categories of participant support costs other than those described in 2 CFR § 200.75 (such as incentives, gifts, souvenirs, t-shirts and memorabilia), must be justified in the budget justification, and such costs will be closely scrutinized by NSF. Funds provided for participant support may not be used for other categories of expense without specific prior NSF written approval. Such requests must be submitted electronically via use of NSF's electronic systems.

Chapter II.C.2.g(vi)(a), Materials and Supplies, includes coverage on costs of computing devices. Clarification on when a computing device is considered a supply is provided. The charging of computing devices as a direct cost is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of the NSF award.

Chapter II.C.2.(vi)(c), Consultant Services, clarifies that costs of professional and consultant services are allowable when reasonable in relation to the services rendered and when not contingent upon recovery of costs from the Federal government. All contracts made under an NSF award must contain the applicable provisions identified in 2 CFR § 200 Appendix II.

Chapter II.C.2.g(vi)(e), Subawards, references 2 CFR § 200.330 and the requirement of proposing organizations to make a case-by-case determination regarding the role of a subrecipient versus contractor for each agreement. However, inclusion of a subaward or contract in the proposal budget or submission of a request after issuance of an NSF award to add a subaward or contract will document the organizational determination required. The section also clarifies NSF's expectations regarding indirect

cost rate recovery under subawards.

Chapter II.C.2.g(viii), Indirect Costs, provides updated guidance on NSF's expectations regarding indirect cost rate recovery.

Chapter III.F, NSF's Risk Management Framework and Decision to Award or Decline Proposals, is a completely new section which describes the framework that NSF uses to evaluate the risks posed by proposers prior to issuance of an NSF award, consistent with 2 CFR § 200.205. The section also outlines the appeal process that a proposer may utilize if NSF declined their proposal for financial or administrative reasons.

Other Significant Changes to the GPG

Chapter I.F., When to Submit Proposals, includes revisions to the section on Special Exceptions to NSF's Deadline Date Policy. In cases of natural or anthropogenic disasters, approval from the cognizant NSF Program Officer (PO) should be requested in advance of the proposal deadline, where possible. If proposers are unable to contact the PO prior to the deadline, approval should be obtained as soon as possible afterwards. New coverage has been added on the procedure to follow when NSF is closed due to inclement weather or other reasons.

Chapter II.C.1.e, Proposal Certifications, contains a clarification to the Certification Regarding Conflict of Interest which states that conflicts that cannot be satisfactorily managed, reduced or eliminated, and research that proceeds without the imposition of conditions or restrictions when a conflict of interest exists, must be disclosed to NSF via use of NSF's electronic systems.

Chapter II.C.2, Sections of the Proposal, outlines the required sections of a research proposal. Other types of proposals (i.e., RAPID, EAGER, etc.) and program solicitations may deviate from the content requirements listed in Chapter II.C.2. Effective with this implementation of the PAPPG, FastLane will begin using the rules associated with each proposal mechanism to check for compliance prior to submission to NSF. Proposers are strongly advised to review the applicable sections of the GPG pertinent to the type of proposal being developed PRIOR to submission.

Chapter II.C.2.d, Project Description, has been updated to reflect that the project description must now contain, as a separate section within the narrative, a section labeled "Broader Impacts of the Proposed Work".

Chapter II.C.2.d(iii), Results from Prior NSF Support, has been clarified to state that the listing of publications resulting from an NSF award must provide a complete bibliographic citation for each publication in either the Results from Prior NSF Support section or in the References Cited section of the proposal.

Chapter II.C.2.g, Budget and Budget Justification, has been revised to reflect that the budget justification for the proposing organization must be no more than three pages. For proposals that contain a subaward(s), each subaward must include a separate budget justification of no more than three pages.

Chapter II.D.3, Ideas Lab, is an entirely new section which details the four-stage process used with this funding mechanism, which is designed to support the development and implementation of creative and innovative project ideas that have the potential to transform research paradigms and/or solve intractable problems. Note that, in addition to Ideas Lab, NSF has launched another new funding mechanism titled **Integrated NSF Support Promoting Interdisciplinary Research and Education**

(INSPIRE) that is being piloted this year.

Clarifications and Other Changes to the GPG

Chapter I.C.4, Program Solicitation, lists features that would require a funding opportunity to be issued as a program solicitation. The list has been updated to include when cost sharing is required or limitations are placed on recovery of indirect (F&A) costs, both of which require approval by the NSF Director before the program solicitation can be issued.

Chapter I.D.1, Letter of Intent, has been clarified to state that if a program solicitation requires submission of a letter of intent (LOI) and the proposer does not submit an LOI, the full proposal will not be accepted or will be returned without review.

Chapter I.E, Who May Submit Proposals, has amended language that shows that unaffiliated individuals, and other Federal agencies who think their project may meet one of the exceptions listed in section 7, must contact the appropriate program prior to preparing and submitting a proposal.

Chapter I.G.3, Requirements Relating to Data Universal Numbering System (DUNS) Numbers and Registration in the System for Award Management (SAM), informs proposers that NSF will now validate that each proposer's DUNS number and SAM registration are active and valid prior to allowing submission of a proposal to NSF. Additionally, the section clarifies that subrecipients named in the proposal are required to obtain a DUNS number and register in FastLane but do not need to be registered in SAM.

Chapter II, Introduction, has been revised to reflect the current strategic objective language from the new NSF Strategic Plan.

Chapter II.C.2.a.(4)(h), Cover Sheet Other Information, has been supplemented to reflect that a maximum of five countries may be listed in the International Activities Country Name(s) section.

Chapter II.C.2.f, Biographical Sketch(es), makes clear that including personal information in the biographical sketch is not appropriate nor is it relevant to the merits of the proposal. New information is being requested in Section II.C.2.f(i)(a), Professional Preparation. The location of the individual's undergraduate, graduate and postdoctoral institution(s) must be provided. Section II.C.2.f(i)(e) clarifies that the total number of collaborators and co-editors, and graduate advisors and postdoctoral sponsors, must be identified in the appropriate areas in the Collaborators & Other Affiliations section. In addition, where applicable, information on "Other Personnel" biographical information (Section II.C.2.f(ii)) should be clearly identified and uploaded in the Biosketches section of the proposal.

Chapter II.C.2.g(i)(a), Senior Personnel Salaries and Wages Policy, has been supplemented to clarify proposer and awardee authority regarding rebudgeting.

Chapter II.C.2.j, Special Information and Supplementary Documentation, clarifies the use of letters of collaboration (formerly referred to as letters of commitment). Such letters should be limited to stating the intent to collaborate and should not contain endorsements or evaluation of the proposed project. Proposals that are not consistent with the instructions in this section will be returned without review. Also, the definition of an international activity has been clarified.

Chapter II.D.6, Proposals for Equipment, has been revised to remove the

requirement to include a References Cited section for equipment proposals submitted in response to the GPG. Additionally, the Facilities, Equipment and Other Resources section needs to include a brief description of other support services available.

Chapter II.D.8, Proposals Involving Human Subjects, has been supplemented to clarify that the only acceptable Institutional Review Board (IRB) approval documents are those that approve a human subjects research protocol and approvals "in concept" or conditional IRB documents are not acceptable. Guidance also is provided on the procedure to follow if IRB approval cannot be obtained at the time of the award action because the development of a human subjects research protocol requires preliminary or other conceptual work to take place.

Chapter II.D.9, Proposals for Conferences, has been modified to specify that NSF funds are not to be spent for meals and coffee breaks for intramural meetings of an organization or any of its components as a direct cost. Budgets and budget justifications for conferences should be prepared in accordance with GPG Chapter II.C.2.g. A reference to the appropriate AAG section has been added to address program income generated by conferences. In addition, Facilities, Equipment and Other Resources information is now required for conference proposals.

Chapter II.D.11, Proposals for Doctoral Dissertation Research, has been removed, as information should be obtained from the cognizant program office and via the NSF website.

Exhibit II-1, Proposal Preparation Checklist, has been updated to reflect the changes made to the GPG. Proposers are strongly encouraged to conduct an administrative review prior to submission, to ensure that proposals comply with the instructions in the GPG and/or the program solicitation, in the format specified.

Chapter III.E, Funding Recommendation, has been updated to include coverage on abstracts, which serve to describe the project and justify the expenditure of NSF funds. The cognizant NSF Program Officer may contact the PI, should their proposal be recommended for award, for assistance in preparing the public award abstract and its title.

Exhibit III-1, NSF Proposal & Award Process & Timeline, has been updated to reflect the financial or administrative decline process discussed in Chapter III.F.

Chapter IV.B, Proposal Not Accepted or Returned Without Review, informs proposers that a proposal will not be accepted or will be returned without review by NSF for the reasons listed in that section. Previously the language used was "may" not be accepted or "may" be returned without review.

Significant Changes to the PAPPG Part II, Award and Administration Guide (AAG) to Implement the Uniform Guidance

Chapter I Introduction, states that the AAG, in conjunction with the award terms and conditions, implements 2 CFR § 200, for NSF grants and cooperative agreements. If the AAG is silent on a specific area covered by 2 CFR § 200, the requirements specified in 2 CFR § 200 must be followed.

Chapter I.B.1, Award Instrument, has supplemented the list of materials that comprise an NSF award to include general federal award information as required by 2 CFR § 200.210.

Chapter I.C.2, NSF Award Conditions, has been modified to reference the NSF website which contains the applicable NSF award conditions. In conjunction with the relevant portions of the NSF Award & Administration Guide, these conditions serve as the Foundation's implementation of 2 CFR § 200.

Chapter II.A.2, Grantee Notifications to NSF and Requests for NSF Approval and Exhibit II-1, Consolidated Listing of Program- and Cost-Related Grantee Notifications to, and Requests for Approval from, the National Science Foundation, have been revised for consistency with the Uniform Guidance. There are three new requests that require NSF approval, including salaries of administrative or clerical staff, travel costs for dependents, and additional categories of participant support costs other than those described in 2 CFR § 200.75.

Chapter II.B.2, Changes in PI/PD, co-PI/co-PD, or Person-Months Devoted to the Project, has been revised to remove the requirement to notify NSF of the short-term absence of the PI/PD or co-PI/co-PD. This requirement has been eliminated as it goes beyond what is stipulated in the Uniform Guidance, which addresses PI disengagements of 90 days or longer.

Chapter II.B.3, Subawarding, Transferring or Contracting Out Part of an NSF Award (Subaward), has been modified for consistency with the Uniform Guidance terminology and guidance. If it becomes necessary to subaward, transfer or contract out part of an NSF award after a grant has been made, the grantee shall submit the documentation outlined in this section.

Chapter II.C, Cost Sharing, now requires that awards with any mandatory cost sharing must document such cost sharing (on an annual and final basis), the Authorized Organizational Representative must certify that the amount is correct, and the cost sharing must be reported to NSF via use of NSF's electronic systems.

Chapter II.D, Technical Reporting Requirements, reflects that the "where practicable" requirement specified in 2 CFR § 200.301 is not required since the Research Performance Progress Report (RPPR) does not relate financial information to performance data. Section II.D.5 on grant closeout clarifies that grants will be financially closed out on the first day of each month for all awards with expirations 90 or more days prior to the financial closeout day.

Chapter III, Financial Requirements and Payments, has been updated to be consistent with the applicable sections of the Uniform Guidance. Exhibit III-1 now contains the latest version of the Standard Form (SF) 270 Request for Advance or Reimbursement.

Chapter III.D.4, Program Income, implements the applicable portions of 2 CFR § 200.307 on program income and consolidates the coverage that previously located in Chapter VI.F into one section in Chapter III. The language has been clarified to show that registration fees collected under NSF-supported conferences are considered program income. Grantees have no obligation to NSF with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 USC 18) shall apply to inventions made under an award.

Chapter III.E, Award Financial Reporting Requirements - Final Disbursement Reporting, notes that NSF does not require grantees to submit Federal Financial Reports (FFRs) for each award for purposes of final award accountability. NSF extracts final financial data from the Award Cash Management Service (ACM\$) This

section also has been clarified to show that grantees must liquidate all obligations incurred under their awards not later than 90 calendar days after the award end date. NSF will financially close awards 90 days after the award end date and the award will be removed from the ACM\$ payment screen for active awards. The section also delineates the time limits within which NSF will make settlements for any upward or downward adjustments to the Federal share of costs after the award financial closeout.

Chapter IV, Grantee Standards, contains coverage in accordance with 2 CFR § 200 in the areas of financial management, property management, and procurement management. AAG Chapter IV.C, IV.D and IV.E implement these standards, and extend their applicability to all types of recipients of NSF grants, including for-profit organizations.

Chapter V.B, Direct Costs, states that compensation for personal services, including salaries and wages and fringe benefits, must be in accordance with 2 CFR §§ 200.430 and 431 respectively. Section V.B.1.b contains the policy related to fringe benefits that are charged as direct costs and incurred under "pay as you go plans".

Chapter V.C, Other Direct Costs, contains a new section (V.C.5) that has been added to address temporary dependent care travel costs.

Chapter V.D, Indirect Costs, provides updated guidance on NSF's expectations regarding indirect cost rate recovery.

Other Significant Changes to the AAG

Chapter I.E.4, Supplemental Support, now includes guidance on submission of mentoring plans post-award. If supplemental funding is requested to support a postdoctoral researcher and the original proposal did not include a mentoring plan, then the supplemental funding request must include the requisite mentoring plan.

Chapter V.A.3, Prior Written Approvals, has been updated to show that if a grantee rebudgets funds to support a postdoctoral researcher and the original proposal included a mentoring plan, no further documentation is necessary. If the original proposal did not include a mentoring plan, then the grantee should send the cognizant NSF Program Officer the requisite mentoring plan. In addition, the list of situations when written prior approval from the cognizant NSF Grants and Agreements Officer is required has been revised. Two new prior approval requirements, for salaries of administrative or clerical staff and additional categories of participant support costs other than those described in 2 CFR § 200.75, have been added.

Clarifications and Other Changes to the AAG

Exhibit I-1, Statutes, Executive Orders and Other Directives, has been removed, as the most current information can be obtained from relevant Governmental websites.

Chapter II.E., Record Retention and Audit, states that financial records, supporting documents, statistical records and all other records pertinent to the NSF grant must be retained by the grantee for a period of three years from award financial closeout described in AAG Chapter III.E.3, except as noted in 2 CFR § 200.333.

Chapter V.E, Fee Payments under NSF Grants, has been revised to state that payment of fees (profit) are allowable only if expressly authorized by the terms and conditions of the NSF award.

Chapter VI.A.7, Non-Discrimination Statutes, now includes coverage on limited English proficiency (LEP) provisions under E.O. 13166.

Chapter VI.B.2, has been renamed "**Research Involving Recombinant or Synthetic Nucleic Acid Molecules**" and grantees must follow the Guidelines for Research Involving Recombinant DNA or Synthetic Nucleic Acid Molecules, as amended in March 2013, for all research for which NSF grant funds are used, that falls within the scope of the Guidelines.

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= The system runs a compliance check and an Error or Warning message will be displayed (as noted in the "Error/ Warning" column) if the proposal fails the compliance check.

BLANK = The system does not run a compliance check.

N/A = The system does not run a compliance check because the proposal rule doesn't apply for this funding mechanism.



AUTOMATED PROPOSAL COMPLIANCE CHECKS PERFORMED BY SYSTEM AS OF APRIL 24TH, 2015.*

| COMPLIANCE CHECK | FUNDING OPPORTUNITY TYPE | ERROR / WARNING | FUNDING MECHANISM TYPE | | | | | | | | |
|---|--|-----------------|------------------------|-------|-------|-----------|------------|-----------|----------------------|------------------|------------|
| | | | RESEARCH | RAPID | EAGER | IDEAS LAB | CONFERENCE | EQUIPMENT | INTERNATIONAL TRAVEL | FACILITY/ CENTER | FELLOWSHIP |
| Proposal Section Exists Checks | | | | | | | | | | | |
| 1. Project Summary is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. Project Description is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. References Cited is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | N/A | ✓ | N/A | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | | | | | | |
| 4. Biographical Sketch(es) is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | N/A | ✓ | N/A | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | | | | | | |
| 5. Primary Budget is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6. Budget Justification for the Primary Organization is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | | | | ✓ | | |
| 7. Budget Justification for each Subrecipient Organization that exists is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | | | | ✓ | | |

| COMPLIANCE CHECK | FUNDING OPPORTUNITY TYPE | ERROR / WARNING | FUNDING MECHANISM TYPE | | | | | | | | |
|---|--|-----------------|------------------------|-------|-------|-----------|------------|-----------|----------------------|------------------|------------|
| | | | RESEARCH | RAPID | EAGER | IDEAS LAB | CONFERENCE | EQUIPMENT | INTERNATIONAL TRAVEL | FACILITY/ CENTER | FELLOWSHIP |
| 8. Current and Pending Support is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | | | ✓ | | | |
| 9. Facilities, Equipment, Other Resources is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | N/A | ✓ | N/A | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | | | | | | |
| 10. Mentoring Plan is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11. Data Management Plan is required. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Proposal Section Page Count Checks | | | | | | | | | | | |
| 12. Project Summary page count cannot exceed 1 page. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 13. Project Description page count cannot exceed 5 pages for a RAPID proposal. | GPG Program Description Program Announcement | ERROR | N/A | ✓ | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | Program Solicitation | NONE | | | | | | | | | |
| 14. Project Description page count cannot exceed 8 pages for an EAGER proposal. | GPG Program Description Program Announcement | ERROR | N/A | N/A | ✓ | N/A | N/A | N/A | N/A | N/A | N/A |
| | Program Solicitation | NONE | | | | | | | | | |
| 15. Project Description page count cannot exceed 15 pages (excludes RAPID and EAGER). | GPG Program Description Program Announcement | ERROR | ✓ | N/A | N/A | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | NONE | | | | | | | | | |
| 16. Budget Justification page count for the Primary Organization cannot exceed 3 pages. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | NONE | | | | | | | | | |

| COMPLIANCE CHECK | FUNDING OPPORTUNITY TYPE | ERROR / WARNING | FUNDING MECHANISM TYPE | | | | | | | | |
|---|--|-----------------|------------------------|-------|-------|-----------|------------|-----------|----------------------|------------------|------------|
| | | | RESEARCH | RAPID | EAGER | IDEAS LAB | CONFERENCE | EQUIPMENT | INTERNATIONAL TRAVEL | FACILITY/ CENTER | FELLOWSHIP |
| 17. Budget Justification page count for each Subrecipient Organization that exists cannot exceed 3 pages. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | NONE | | | | | | | | | |
| 18. Mentoring Plan cannot exceed 1 page. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 19. Data Management Plan cannot exceed 2 pages. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Budget Checks | | | | | | | | | | | |
| 20. The Requested Amount on the Remainder of the Cover Sheet cannot exceed \$200K for a RAPID proposal. | GPG Program Description Program Announcement | ERROR | N/A | ✓ | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | Program Solicitation | NONE | | | | | | | | | |
| 21. The Requested Amount on the Remainder of the Cover Sheet cannot exceed \$300K for a EAGER proposal. | GPG Program Description Program Announcement | ERROR | N/A | N/A | ✓ | N/A | N/A | N/A | N/A | N/A | N/A |
| | Program Solicitation | NONE | | | | | | | | | |
| 22. The Requested Amount on the Remainder of the Cover Sheet and the total Amount of Request on the budget should match. | GPG Program Description Program Announcement | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | NONE | | | | | | | | | |
| 23. If Senior Personnel or Other Personnel funds requested exist on the Primary Budget, there should not be any blank values in the Primary budget senior or other personnel months fields (calendar, academic, or summer). | GPG Program Description Program Announcement | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Program Solicitation | NONE | | | | | | | | | |

| COMPLIANCE CHECK | FUNDING OPPORTUNITY TYPE | ERROR / WARNING | FUNDING MECHANISM TYPE | | | | | | | | |
|---|--|-----------------|------------------------|-------|-------|-----------|------------|-----------|----------------------|------------------|------------|
| | | | RESEARCH | RAPID | EAGER | IDEAS LAB | CONFERENCE | EQUIPMENT | INTERNATIONAL TRAVEL | FACILITY/ CENTER | FELLOWSHIP |
| 24. If Senior Personnel or Other Personnel funds requested exist on a Subrecipient Budget, there should not be any blank values in the corresponding Subrecipient budget senior or other personnel months fields (calendar, academic, or summer). | GPG Program Description Program Announcement | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| | Program Solicitation | NONE | | | | | | | | | |
| 25. The proposal duration on the Remainder of the Cover Sheet should not exceed 1 year (12 months) for a RAPID proposal. | GPG Program Description Program Announcement | WARNING | N/A | ✓ | N/A | N/A | N/A | N/A | | N/A | N/A |
| | Program Solicitation | NONE | | | | | | | | | |
| 26. The proposal duration on the Remainder of the Cover Sheet should not exceed 2 years (24 months) for a EAGER proposal. | GPG Program Description Program Announcement | WARNING | N/A | N/A | ✓ | N/A | N/A | N/A | | N/A | N/A |
| | Program Solicitation | NONE | | | | | | | | | |
| 27. If the Primary budget or any Subrecipient Budget contains an amount in foreign travel line (E2), then the International Activities Country Name(s) checkbox should be checked on the Remainder of the Cover Sheet. | GPG Program Description Program Announcement | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| | Program Solicitation | NONE | | | | | | | | | |
| Other Checks | | | | | | | | | | | |
| 28. The “International Cooperative Activities Country Name” checkbox was checked on the Cover Sheet but no Country Names were entered. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 29. Country Names for “International Cooperative Activities Country” were entered on the Cover Sheet but the checkbox for “International Cooperative Activities Country Name” was not checked. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

| COMPLIANCE CHECK | FUNDING OPPORTUNITY TYPE | ERROR / WARNING | FUNDING MECHANISM TYPE | | | | | | | | |
|--|--|-----------------|------------------------|-------|-------|-----------|------------|-----------|----------------------|------------------|------------|
| | | | RESEARCH | RAPID | EAGER | IDEAS LAB | CONFERENCE | EQUIPMENT | INTERNATIONAL TRAVEL | FACILITY/ CENTER | FELLOWSHIP |
| 30. The “Vertebrate Animals” checkbox was checked on the Cover Sheet but no Institutional Animal Care and Use Committee (IACUC) Approval date was entered. Either the IACUC Approval date or the text “Planned” must be entered. If a proposer enters a date for the IACUC Approval date, then they must also enter the Vertebrate Welfare Assurance Number. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 31. The “Human Subjects” checkbox was checked on the Cover Sheet but no Institutional Review Board (IRB) Approval Date was entered and no Exemption Subsection was entered. | GPG Program Description Program Announcement | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| | Program Solicitation | ERROR | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 32. The International Activities Country Name checkbox should be checked on the Remainder of the Cover Sheet if the Primary Place of Performance on the Cover Sheet is outside the U.S. (excludes U.S. Possessions). | GPG Program Description Program Announcement | WARNING | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| | Program Solicitation | NONE | | | | | | | | | |

Notes:

* List provides current checks performed by system as of the April 2015 Release.

Not all NSF policy requirements are currently enforced by automated compliance checks.

Cases which currently do not trigger an Error or Warning may do so in the future as additional automated compliance checks are added to FastLane.

Some checks are not enforced for separately submitted Collaborative Non-Lead Proposals as stated by NSF Policy requirements.

Checks are not enforced for Preliminary Proposals, Award Supplements and Letter of Intent submissions.

Compliance checks are triggered when users "Check" the proposal, "Allow SRO access" or "Submit" to NSF.

Error - Checks triggering an error will result in a hard stop and prohibit proposal submission to NSF.

Warning - Checks triggering a warning will allow proposal submission to NSF.

REGULATORY COMPLIANCE

Lehigh professor charged with fraud in NASA project



Lehigh University's Packard Laboratory, where Yujie Ding works as a professor of electrical and computer engineering. (FILE PHOTO, THE MORNING CALL)

By **Peter Hall,**
Of The Morning Call

NOVEMBER 8, 2014, 11:09 PM

When Lehigh University professor Yujie Ding and his wife proposed to develop technology for NASA in 2010, the \$600,000 project was supposed to be carried out by their small Center Valley company in conjunction with Ding's lab at Lehigh.

In reality, federal authorities say, the work was done by a graduate student at Lehigh while Ding and his wife, Yuliya Zotova, "executed a scheme to defraud NASA," pocketing \$300,000 in federal grant money they had told NASA the company needed to do its share of the work. Lehigh University got the rest, court documents show.

The company, ArkLight Inc., was a shell with an address at Ding and Zotova's home in Center Valley, according to a complaint filed last week in U.S. District Court in Philadelphia. It had no employees other than the couple and no laboratory or equipment.

In the criminal complaint charging Ding with wire fraud, an investigator for NASA's inspector general's office says ArkLight was set up to apply for and receive funding from the Small Business Innovation Research program, which is run by the U.S. Small Business Administration.

In the case of the allegedly fraudulent 2010 grant application, Ding and Zotova "executed a scheme to defraud

NASA, by setting up ArkLight as a fraudulent small business purportedly conducting research ... and by artificially doubling the budgeted cost of the research project in order to make an undisclosed and illicit profit, the complaint says.

Zotova is not charged with a crime. She is identified in the complaint only as Ding's wife and by her initials. But public records identify Zotova as co-owner of Ding's Center Valley home and sole owner of ArkLight.

No charges were brought against Lehigh. It is not clear if the university has returned the \$300,000 it received from the grant or if the government has moved to recover it.

Lehigh wouldn't comment on the allegations against Ding. Spokesman Jordan Reese said Thursday the university will cooperate fully with federal investigators and is conducting an internal investigation to determine whether there was a violation of university policy.

The U.S. attorney's office in Philadelphia, which is prosecuting the case, declined to comment. Calls to the NASA inspector general's office were not returned.

Under Ding's grant proposal, Lehigh was to perform half the work. Its \$300,000 was to cover overhead costs such as equipment and tuition for graduate students to do the research.

The complaint alleges Ding committed wire fraud when he used log-in credentials assigned by NASA to transmit a \$70,000 bill from a Pennsylvania computer to one at NASA in Virginia.

Ding, 52, has been a professor of electrical and computer engineering at Lehigh University since 2002, according to his profile on the university's website. He was preparing to flee the United States to Reykjavik, Iceland, when NASA special agent Erik J. Saracino moved in to arrest him last week, according to the complaint says, which was filed Monday but sealed until Ding's arrest Tuesday.

Ding was freed on \$50,000 bail, according to court documents.

According to the Small Business Innovation Research program's website, ArkLight has received nearly \$2.9 million in funding research on behalf of the National Science Foundation, the Department of Defense and NASA since 2002. The company previously was based in Fayetteville, Ark., where Ding taught at the University of Arkansas, according to program records.

The government has not alleged any wrongdoing in connection with the other grants that ArkLight has received.

The criminal complaint says Ding actively concealed his affiliation with both ArkLight and Zotova from university officials to avoid any inquiry into whether those relationships constituted conflicts of interest that could violate university policy.

In the research project for which Ding is charged, the company proposed to develop and build a photon detector that would aid the space agency in a mission to use lasers to record carbon dioxide emissions in the Earth's atmosphere.

According to the complaint, Ding had the Lehigh University research office send a proposal to Zotova in June 2010 for Ding to serve as a subcontractor on ArkLight's project to build the photon detector.

The following month, Ding and Zotova submitted ArkLight's project proposal with a budget of \$600,000, including \$300,000 to pay the university for its work, and another \$300,000 to pay ArkLight's costs for labor,

materials, equipment, administration and overhead, the complaint says.

NASA approved ArkLight's proposal in May 2011 and provided the money. But ArkLight did none of the work, the complaint says.

"Instead, the work was completed, under Ding's sole supervision, by a graduate student working in Ding's lab at the university," according to the complaint.

The graduate student, identified in court papers only by the initials D.L., told federal investigators that only he and Ding worked on the photon detector and shipped it to NASA. The student said he had only seen ArkLight's and Zotova's names when Ding added them to a research paper he had written.

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THE CHRONICLE OF HIGHER EDUCATION



The Ticker

Breaking news from all corners of academe.

May 1, 2015 by Andy Thomason

NSF Freezes Grants to UConn After Professors Bought Equipment From Their Own Company

The National Science Foundation has frozen millions of dollars in grants to the University of Connecticut after auditors found that two professors there used grant money to buy equipment from their own company, *The Hartford Courant* reports.

<http://www.courant.com/news/connecticut/hc-uconn-nsf-grants-suspended-20150501-story.html>

The state Auditors of Public Accounts found that the professors, who control a marine sensor and communication technology company, bought \$253,000 worth of acoustic modems using NSF funds. The professors told the auditors they did not read a clause on a form they signed indicating there was no financial conflict of interest.

The NSF froze all of the university's research grants related to underwater communication and exploration, totaling \$4.6 million.

The university said in a statement that it would have prohibited the purchase of the modems if the professors "had disclosed their conflicts of interest as principals in the company from which the items were purchased."

The professors' identities have not been revealed.

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The New York Times | <http://nyti.ms/1ervPgD>

The Opinion Pages | OP-ED CONTRIBUTOR

The University of Minnesota's Medical Research Mess

By **CARL ELLIOTT** MAY 26, 2015

MINNEAPOLIS — IF you want to see just how long an academic institution can tolerate a string of slow, festering research scandals, let me invite you to the University of Minnesota, where I teach medical ethics.

Over the past 25 years, our department of psychiatry has been party to the following disgraces: a felony conviction and a Food and Drug Administration research disqualification for a psychiatrist guilty of fraud in a drug study; the F.D.A. disqualification of another psychiatrist, for enrolling illiterate Hmong refugees in a drug study without their consent; the suspended license of yet another psychiatrist, who was charged with “reckless, if not willful, disregard” for dozens of patients; and, in 2004, the discovery, in a halfway house bathroom, of the near-decapitated corpse of Dan Markingson, a seriously mentally ill young man under an involuntary commitment order who committed suicide after enrolling, over the objections of his mother, in an industry-funded antipsychotic study run by members of the department.

And those, unfortunately, are just the highlights.

The problem extends well beyond the department of psychiatry and into the university administration. Rather than dealing forthrightly with these ethical breaches, university officials have seemed more interested in covering up wrongdoing with a variety of underhanded tactics. Reporting in *The Star Tribune* discovered, for example, that in the felony case, university officials hid

an internal investigation of the fraud from federal investigators for nearly four years.

I hope that the situation at the University of Minnesota is exceptional. But I know that at least one underlying cause of our problems is not limited to us: namely, the antiquated bureaucratic apparatus of institutional review boards, or I.R.B.s, which are supposed to protect subjects of medical experimentation. Indeed, whether other institutions have seen the kinds of abuses that have emerged at the University of Minnesota is difficult to know, precisely because the current research oversight system is inadequate to detect them.

The current I.R.B. system of research protection arose in the 1970s. At the time, many reformers believed the main threat to research subjects came from overambitious government and university researchers who might be tempted to overlook the welfare of research subjects.

As a result, the scheme put in place for protecting subjects was not a formal regulatory system but essentially an honor code. Under the I.R.B. system, medical research studies are evaluated — on paper — by a panel of academic volunteers. I.R.B.s do not usually monitor research as it is taking place. They rarely see a research subject or even a researcher face to face. Instead, they simply trust researchers to tell the truth, report mishaps honestly and conduct their studies in the way that they claim to be conducting them.

These days, of course, medical research is not just a scholarly affair. It is also a global, multibillion-dollar business enterprise, powered by the pharmaceutical and medical-device industries. The ethical problem today is not merely that these corporations have plenty of money to grease the wheels of university research. It's also that researchers themselves are often given powerful financial incentives to do unethical things: pressure vulnerable subjects to enroll in studies, fudge diagnoses to recruit otherwise ineligible subjects and keep subjects in studies even when they are doing poorly.

In what other potentially dangerous industry do we rely on an honor code to keep people safe? Imagine if inspectors never actually set foot in meatpacking plants or coal mines, but gave approvals based entirely on paperwork filled out by the owners.

With so much money at stake in drug research, research subjects need a full-blown regulatory system. I.R.B.s should be replaced with oversight bodies that are fully independent — both financially and institutionally — of the research they are overseeing. These bodies must have the staffing and the authority to monitor research on the ground. And they must have the power to punish researchers who break the rules and institutions that cover up wrongdoing.

Here at the University of Minnesota, we have reached a critical point. Two months ago, after two blistering external investigations, university officials finally agreed to suspend recruitment for psychiatric drug studies. Yet they still refuse to admit any serious wrongdoing.

An honor code is a fragile thing. All the parts have to be in place: pride in the integrity of an institution, vigilant self-policing, a collective sense of shame when the code is violated and a willingness to punish those who break it. At the University of Minnesota, we have very few of those things. And so without sustained, relentless pressure from the outside, I am afraid we are doomed to more of the same.

Carl Elliott, a professor at the Center for Bioethics at the University of Minnesota, is the author of “White Coat, Black Hat: Adventures on the Dark Side of Medicine.”

Follow The New York Times Opinion section on Facebook and Twitter, and sign up for the Opinion Today newsletter.

A version of this op-ed appears in print on May 26, 2015, on page A19 of the New York edition with the headline: Minnesota's Medical Mess.

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RESEARCH MISCONDUCT CASES

Findings of Research Misconduct

Notice Number: NOT-OD-15-093

Key Dates

Release Date: April 15, 2015

Related Announcements

None

Issued by

Department of Health and Human Services ([DHHS](#))

Purpose

SUMMARY: Notice is hereby given that the Office of Research Integrity (ORI) has taken final action in the following case:

Teresita L. Briones, Ph.D., Wayne State University: Based on the report of an inquiry conducted by Wayne State University (WSU) and additional analysis conducted by ORI in its oversight review, ORI found that Dr. Teresita L. Briones, former Associate Professor, College of Nursing, WSU, engaged in research misconduct in research supported by National Institute of Nursing Research (NINR), National Institutes of Health (NIH), grants P30 NR009014, R01 NR005260, and R01 NR007666.

ORI found that Respondent intentionally, knowingly, and recklessly engaged in research misconduct by falsifying and/or fabricating data that were included in five (5) publications and three (3) grant applications submitted to NINR, NIH:

- *Behavioural Brain Research* 279:112-22, 2015 Feb 15 (hereafter referred to as "*BBR* 2015")
- *Journal of Neuroinflammation* 11:13, 2014 Jan 22 (hereafter referred to as "*JNI* 2014")
- *Journal of Neurotrauma* 26(4):613-25, 2009 Apr (hereafter referred to as "*JNT* 2009")
- *Journal of Neurotrauma* 28(12):2485-92, 2011 Dec (hereafter referred to as "*JNT* 2011")
- *Neuroscience* 262:143-55, 2014 Mar 14 (hereafter referred to as "*NS* 2014")
- R01 NR011167-01
- R01 NR011167-01A1
- R01 NR 011167-01A2

ORI found that Respondent falsified and/or fabricated data by falsely reporting the results of Western blot experiments that examined neuroinflammation, amyloidogenesis, and/or cognitive impairment in a rat model of cerebral ischemia. Specifically, Respondent duplicated, reused, and falsely relabeled Western blot gel images and claimed they represented different experiments in:

- *BBR* 2015, Figures 2E and 5D
- *JNI* 2014, Figures 2A and 2C
- *JNT* 2009, Figures 2B and 5
- *JNT* 2011, Figure 2
- *NS* 2014, Figure 4
- R01 NR011167-01, Figures 5 and 6
- R01 NR011167-01A1, Figures 4A and 4B
- R01 NR011167-01A2, Figures 4A and 4B

As a result of this Agreement, Respondent will request that the following publications be retracted: *BBR* 2015, *JNI* 2014, *JNT* 2009, *JNT* 2011, and *NS* 2014.

Dr. Briones has entered into a Voluntary Exclusion Agreement (Agreement) and has voluntarily agreed for a period of three (3) years, beginning on March 12, 2015:

(1) to exclude herself from any contracting or subcontracting with any agency of the United States Government and from eligibility for or involvement in non-procurement programs of the United States Government referred to as "covered transactions" pursuant to HHS' Implementation (2 CFR part 376 *et seq*) of OMB Guidelines to Agencies on Government-wide Debarment and Suspension, 2 CFR part 180 (collectively the "Debarment Regulations");

(2) to exclude herself voluntarily from serving in any advisory capacity to the U.S. Public Health Service (PHS) including, but not limited to, service on any PHS advisory committee, board, and/or peer review committee, or as a consultant; and

(3) to request that the following publications be retracted: *BBR* 2015, *JNI* 2014, *JNT* 2009, *JNT* 2011, and *NS* 2014.

Inquiries

Please direct all inquiries to:

Donald Wright, M.D., M.P.H.
Acting Director
Office of Research Integrity
1101 Wootton Parkway, Suite 750
Rockville, MD 20852
Telephone: 240-453-8800

[Weekly TOC for this Announcement](#)
[NIH Funding Opportunities and Notices](#)



NIH... Turning Discovery Into Health®

Findings of Research Misconduct

Notice Number: NOT-OD-15-092

Key Dates

Release Date: April 15, 2015

Related Announcements

None

Issued by

Department of Health and Human Services ([DHHS](#))

Purpose

SUMMARY: Notice is hereby given that the Office of Research Integrity (ORI) has taken final action in the following case:

Ryousuke Fujita, Ph.D., Columbia University: Based on the report of an investigation conducted by Columbia University (CU) and additional analysis conducted by ORI in its oversight review, ORI found that Dr. Ryousuke Fujita, former Postdoctoral Scientist, Taub Institute for the Aging Brain, Departments of Pathology and Cell Biology and Neurology, CU Medical Center, engaged in research misconduct in research supported by National Institute of Neurological Disorders and Stroke (NINDS), National Institutes of Health (NIH), grant R01 NS064433 and National Institute of Aging (NIA), NIH, grant R01 AG042317.

ORI found that Respondent engaged in research misconduct by falsifying and fabricating data for specific protein expressions in human-induced neuronal (hiN) cells derived skin fibroblasts of Alzheimer's disease patients and unaffected individuals in seventy-four (74) panels included in figures in the following two (2) publications and one (1) unpublished manuscript:

- Cell 146:359-371, 2011 (hereafter referred to as "Cell 2011").
- Nature 500:45-53, 2013 (hereafter referred to as "Nature 2013").
- "Human induced neuron models of APOE4-associated Alzheimer's disease display altered APP endocytosis and processing." Unpublished manuscript.

ORI found that Respondent engaged in research misconduct by knowingly and intentionally fabricating and falsifying research in seventy-four (74) panels included in figures in Cell 2011, Nature 2013, and the unpublished manuscript. Respondent inflated sample numbers and data, fabricated numbers for data sets, manipulated enzyme-linked immunosorbent assay (ELISA) analysis, mislabelled immunofluorescent confocal images, and manipulated and reused Western blot images.

Specifically, the Respondent:

- Fabricated numbers for the data presented as a bar graph in nine (9) panels in Figures S6E, S6H, and S6J in Cell 2011, Figures 3B and S12 in Nature 2013, and Figures 2F, 4B, 4D, and 4F in the unpublished manuscript
- Falsely inflated the sample size of quantitative data presented as bar graphs in fifty-three (53)

panels in Figures 6B, 7I, and S6J in Cell 2011, Figures 3G, 3H, 4C, S10, S11b-h, S12d-f, S13a, S13c, S14b-c, S15b-i, and S16a-f in Nature 2013, and Figures 4b, 4d, 4f, 4i, 6c-d, S1n, S1o, S2a-b, and S4c-k in the unpublished manuscript

- Falsely manipulated ELISA analysis to achieve desired results presented as bar graphs in nine (9) figure-panels in Figure 6B in Cell 2011 and Figures 2D, 2E, 3G, 3H, and S10a-d in Nature 2013
- Falsely inflated the numerical values of the data in Figure 7I in Cell 2011 by a factor of 10 to improve results and appear consistent with data presented in supplementary information published with the paper
- Falsely reversed the labeling of immunofluorescent confocal images in Figures 7M and 7N in Cell 2011 and Figure S13A in Nature 2013 to obtain the desired results
- Flipped and resized the Western blot image for APP panel from Figure 12b and falsely reused it to represent APP results under completely different experimental conditions in Figure 12c in Nature 2013

Dr. Fujita has entered into a Voluntary Exclusion Agreement (Agreement) and has voluntarily agreed for a period of three (3) years, beginning on March 18, 2015:

(1) to exclude himself from any contracting or subcontracting with any agency of the United States Government and from eligibility for or involvement in non-procurement programs of the United States Government referred to as "covered transactions" pursuant to HHS' Implementation (2 CFR part 376 et seq) of OMB Guidelines to Agencies on Government-wide Debarment and Suspension, 2 CFR part 180 (collectively the "Debarment Regulations"); and

(2) to exclude himself voluntarily from serving in any advisory capacity to the U.S. Public Health Service (PHS) including, but not limited to, service on any PHS advisory committee, board, and/or peer review committee, or as a consultant.

Inquiries

Please direct all inquiries to:

Donald Wright, M.D., M.P.H.
Acting Director
Office of Research Integrity
1101 Wootton Parkway, Suite 750
Rockville, MD 20852
Telephone: 240-453-8800

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licensed industrial and organizational psychologist and has more than 25 years of experience coaching executives and consulting on leadership and career management. She can be reached at jrussell@rhsmith.umd.edu.

Targets of misconduct probe launch a legal counterattack

Heart researchers claim inquiry damaged their careers and derailed the sale of stem cell company

By Kelly Servick

Ongoing scientific misconduct investigations usually take place out of the public's view. An unusual lawsuit filed last month, however, sheds some light on a long-rumored inquiry. The complaint, filed in a federal district court by two prominent heart researchers, offers the first indication of just what is amiss in two papers they co-authored, which describe the heart's natural regenerative ability, and an effort to heal damaged hearts with stem cells.

The plaintiffs, Piero Anversa of Brigham and Women's Hospital (BWH) in Boston, an affiliate of Harvard Medical School, and Annarosa Leri, a Harvard associate professor in his lab, acknowledge that there are fictitious data points in a now-retracted 2012 paper that appeared in the journal *Circulation*. They also acknowledge that a much publicized 2011 paper in *The Lancet*, to which the journal had already attached an "expression of concern," contains altered figures. But they blame those problems on a third researcher. Besides raising questions about who bears

final responsibility for possible misconduct, the lawsuit delves into another thorny issue: the obligation of research institutions to preserve the reputations of scientists implicated in an investigation.

The pair is suing Harvard and BWH over what they claim is a "procedurally and legally flawed" misconduct probe. The institutions, they argue, have wrongfully damaged their careers and cost them millions by derailing a deal to sell their stem cell company and by taking them out of the

"I think it would be a very dangerous precedent to hold institutions culpable for doing due diligence in investigating allegations of problematic data."

Ferric Fang, University of Washington

running for lucrative faculty positions.

Anversa and Leri claim they were unaware of any misconduct in their labs, which they blame on Jan Kajstura, the first author on the retracted paper and a former member of Anversa's lab. In the case of the *Circulation* paper, which reported a surprisingly high turnover rate for muscle cells in the adult heart, Leri and Anversa's lawsuit alleges that Kajstura apparently altered data from mass spectrometry experiments performed at Lawrence Livermore National Laboratory (LLNL) in California. (A researcher at LLNL contacted the lab after noticing that the *Circulation* paper contained 20 more data points than he had sent in a spreadsheet, the complaint explains.)

They further argue that Kajstura and an unnamed scientist under his supervision were responsible for the now-questioned figures in the *Lancet* paper, which reported results of a phase I clinical trial involving a stem cell treatment for heart failure. Anversa and Leri's complaint says they are willing to correct that paper, but that they must wait for approval from an institutional review board that oversaw the study. (The complaint also notes that 15 other papers were later added to the investigation.)

Kajstura could not be reached for com-

ment. And it is not known whether he is actually implicated in the investigations under way at Harvard and BWH, because the institutions have not released any findings so far and have declined to comment on the inquiries. How much responsibility Anversa and Leri bear for any misconduct under their supervision is also an open question. "In the abstract, I think everyone agrees that a principal investigator has to take responsibility for whatever goes on in his or her lab," says Ferric Fang, a microbiologist at the University of Washington, Seattle, who has published several analyses of retractions, misconduct, and the scientific enterprise. But the community is often forgiving when misconduct slips past a principal investigator, he adds, as long as they are honest and forthcoming about the problems.

Anversa and Leri are also suing Gretchen Brodnicki, Harvard's dean for faculty and research integrity, who launched the initial inquiry into the lab, and Elizabeth Nabel, BWH's president. Brodnicki, they claim, exposed them to damaging criticism and speculation by calling for the two papers' retraction before the investigation concluded, without indicating that Kajstura was specifically responsible. They also argue that Nabel should have recused herself from the investigation because she has stock in and advises a firm that

competes with therapies developed in their lab. They further allege that she inappropriately disclosed information about the investigation and personally maligned Anversa and Leri.

The claims of a confidentiality breach and conflict of interest, if they prove true, "are serious, and are not off-the-wall," says Paul Rothstein, a professor of torts, evidence, and civil litigation at Georgetown University Law Center in Washington, D.C. They could "give a court some serious issues to deal with and think about."

As for the damages over lost employment opportunities and the derailed business deal, Rothstein points out that courts require a high degree of proof that the defendants are directly responsible—and that the business deals would have definitely happened if not for the defendants' actions. That is often hard to demonstrate, Rothstein says, suggesting Anversa and Leri may face obstacles in making their case.

Fang worries that if the lawsuit is successful, it will deter misconduct probes. "Aside from the specifics of this particular case," he says, "I think it would be a very dangerous precedent to hold institutions culpable for doing due diligence in investigating allegations of problematic data." ■



Cardiac researcher Piero Anversa and a colleague are suing over an inquiry into their papers.

PHOTO: MARIUS GEANTA/HIPOCRATE JOURNAL ROMANIA

Career Coach: Ethical lapses in leadership

“The time is always right to do what is right.” — Martin Luther King Jr.

The other day I was walking my puppies. As I was cleaning up after them, I thought about how this experience was a lot like ethical issues leaders face.

If you think about it, some people never clean up after their dogs (clear rule breakers). Others clean up after their dogs only if someone else is watching them.

Others pretend to clean up after their dogs if someone is watching them (definitely deceitful). And then there are those who clean up after their dogs, whether anyone else is outside or not (rule followers or those with a code of ethics). The analogy is overly simplistic, but telling.

Ethical issues for leaders range from clear-cut to murky. But leaders need to have a moral compass to follow. They especially need to be careful not to fall down the slippery slope.

What do I mean by this? Researchers have determined that once leaders take small, unethical actions, it becomes easier and easier for them to justify larger infractions, and before you know it, they have fallen down the slippery slope. Maybe they initially add a few extra items to their expense account, then they figure “everyone else is doing it.”

Then they change their airline ticket to first class (charging the company) or charge the company for their clothes (“I need these to look good on my job.”). What’s interesting is that they might not even know they are starting their slide because they rationalize what they are doing (“It’s not that much money.”).

When discovering unethical behaviors in their organizations, leaders need to look at the overall picture and think about how they may have contributed to the problem. Most companies do not do this. They focus on the person who lapsed rather than how the company may have set up the conditions for the behavior to occur.

Culture is what drives behavior, more so than rules and guidelines. People are susceptible to the social norms in the environment. If the ethical standards are low, even the best of employees might be tempted to lower their standards.

What can organizations do to ensure that their employees and leaders don’t fall down the slippery slope?

The company needs to have a strong ethical culture where misconduct is clearly defined.

Issues of ethics need to be a part of the company's vision statement, speeches and everyday communications to employees. Indeed, they should be part of the firm's identity.

Leaders have to see problems as "ethical." Sometimes they simply evaluate situations in terms of a formal cost-benefit analysis without even considering the ethics of the situation (e.g., laying off people without providing placement help). This has been referred to as "ethical fading" by some researchers.

Review the structural issues in the company related to financial reporting, corporate governance and industry regulation. There might be problems here that lead to unethical behaviors among employees.

Discussions and training should be held annually (at least) to talk about ethical issues that employees and managers face and best practices and tips for dealing with them.

Leaders have to address small ethical lapses quickly before they grow into bigger issues. If employees see that even smaller ethical issues are addressed, they will be less likely to continue unethical behaviors and especially less likely to commit even larger ethical problems.

Incentives must exist for adhering to good ethical behaviors. Review your incentive system since often companies unknowingly incentivize folks to commit violations (e.g., they make completing expense forms so complicated that employees just make things up to get the forms filled out).

Ethics and compliance cannot be seen as owned only by the ethics and compliance department. It has to be woven into every department.

Make sure that employees see the benefit of not only behaving in appropriate ethical ways, but in reporting unethical lapses by others. They should be encouraged to push back on leaders or fellow employees who are behaving unethically. If we think about all of the bad behaviors that have taken place in businesses over the past decades (e.g., Enron, Tyco, Worldcom), we have to figure that many employees knew what was going on in these companies, but chose not to speak up. Leaders need to make sure they have people nearby who will not be "yes men," but instead will serve as devil's advocates.

Ethical dilemmas are here to stay. As leaders, we need to create work environments where people can easily tell when they are falling down the slippery slope. We need to be there to help prop them back up, not encourage them to fall down the slope faster. We can do it, and we must.

Joyce E. A. Russell is the vice dean and the director of the Executive Coaching and Leadership Development Program at the University of Maryland's Robert H. Smith School of Business. She is a

Audits

MEMORANDUM

DATE: September 28, 2012

TO: Mary S. Santonastasso, Director
Division of Institution and Award Support

Karen Tiplady, Director
Division of Grants and Agreements

FROM: Dr. Brett M. Baker /s/
Assistant Inspector General for Audit

SUBJECT: University of California, Santa Barbara
Audit of Incurred Costs for National Science Foundation Awards for
The Period January 1, 2008 to December 31, 2010
Report No. 12-1-005

Attached please find the final report for the University of California, Santa Barbara Audit of Incurred Costs for National Science Foundation Awards for the Period January 1, 2008 to December 31, 2010. The objectives of this performance audit were to determine whether (1) UCSB has adequate systems in place to account for and safeguard NSF funds, and (2) costs claimed by UCSB for its NSF awards were reasonable, allowable, and allocable and in conformity with NSF award terms and conditions and applicable federal financial assistance award requirements.

Our audit questioned \$6,325,483 of the costs claimed by UCSB to NSF because UCSB did not comply with Federal and NSF award requirements. Specifically, we found \$1,913,474 of overcharged summer salaries; \$2,821,676 of excess Federal Cash disbursements resulting from UCSB not fulfilling its grant cost share requirements; \$496,466 of inappropriate cost transfers into NSF awards; \$473,465 of indirect cost overcharges to NSF grants; \$440,148 of unallowable costs charged to NSF grants; and the utilization of \$180,255 of remaining fellowship funds for non-award purposes.

In accordance with Office of Management and Budget Circular A-50, *Audit Followup*, please coordinate with our office during the six month resolution period to develop a mutually agreeable resolution of the audit findings. Also, the findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

If you have any questions, please contact Laura Koren, Director, External Audits at (703) 292-8456.

Attachment

cc: Alex Wynnyk, Branch Chief, CAAR

University of California, Santa Barbara

**Audit of
Incurred Costs
For**

**National Science Foundation Awards
For the Period January 1, 2008 to December 31, 2010**

**National Science Foundation
Office of Inspector General**

**September 28, 2012
OIG 12-1-005**



Table of Contents

| | |
|--|----|
| Introduction | 4 |
| Audit Results | 5 |
| Findings | 5 |
| Recommendations | 17 |
| Summary of Awardee Response | 19 |
| Appendix A: Awardee Response | 21 |
| Appendix B: Objectives, Scope, and Methodology | 29 |
| Appendix C: Calculation of Questioned Costs Due to Cost Share Shortfall | 31 |

INTRODUCTION

The National Science Foundation (NSF) is an independent federal agency whose mission is “to promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense.” To support this mission, NSF funds research and education across all fields of science and engineering, primarily through grants and cooperative agreements to more than 2000 colleges, universities, and other institutions throughout the United States.

NSF makes awards to external entities – primarily universities, consortia of universities or nonprofit organizations. One such award recipient is the University of California, Santa Barbara.

UCSB is a public research university and is one of the 10 general campuses of the University of California system. The University was originally founded in 1891 and joined the University of California system in 1944.

UCSB is a comprehensive university, with more than 200 majors, degrees, and credentials offered from its five schools and Graduate Division. Based on Fall 2011 enrollment figures, UCSB is the 6th-largest in the University of California system, with 18,620 undergraduate and 3,065 graduate students. UCSB was recently ranked 42nd among "National Universities" and 10th among public universities by *U.S. News & World Report*. The university was also ranked 29th worldwide in 2010-2011 by the *Times Higher Education World University Rankings*. UCSB houses twelve national research centers, including the renowned Kavli Institute for Theoretical Physics, which is funded by the National Science Foundation. Indeed, UCSB receives significant funding from NSF. In Federal Fiscal Year 2011, UCSB had 451 active NSF awards that totaled \$279,583,861. Thus, UCSB was among the top 30 largest NSF award recipients.

In support of the NSF mission,¹ the NSF-OIG conducts independent and objective audits, investigations, and other proactive reviews, including the review of OMB-Circular A-133 audit reports of NSF grantees², to promote the economy, efficiency, effectiveness, and safeguarding the integrity of NSF programs and operations.

During one of our proactive reviews, we noted that the University of California System’s Fiscal Year 2009 OMB-Circular A-133 (A-133) audit report contained a finding related to untimely cost transfers. Finding 09-01 noted that the University did not follow its own policies and procedures because cost transfers took place past the 120 days required by the University policy. This finding referenced \$100,000 of untimely cost transfers related to NSF Award SCI0503944. This audit report also revealed that untimely cost transfers were a consistent issue for the

¹ For more information about NSF see the following website – <http://www.nsf.gov>

² Grantee – An organization or other entity that receives a grant and assumes legal and financial responsibility and accountability both for the awarded funds and for the performance of the grant-supported activity.

University for fiscal years 2008 through 2009, and that the A-133 auditors recommended that the University enhance its focus on achieving timely cost transfers to ensure compliance with the University and federal guidelines.

Because the University of California A-133 audit report finding for untimely cost transfers remained unresolved for several years and specifically referenced NSF, and because UCSB is one of the largest recipients of NSF award dollars, NSF selected UCSB for audit. Our audit of UCSB for the period January 1, 2008 through December 31, 2010 encompassed \$144,041,463.25 of costs claimed by UCSB to NSF for 604 active NSF awards.

Audit Results – \$6.3 Million Is Questioned Because UCSB Did Not Comply with Federal and NSF Award Requirements

Our audit questioned \$6,325,483 of the costs claimed by UCSB to NSF because UCSB did not comply with Federal and NSF award requirements. Specifically, we found \$1,913,473 of overcharged summer salaries; \$2,821,676 of excess Federal Cash disbursements resulting from UCSB not fulfilling its grant cost share requirements; \$496,466 of inappropriate cost transfers into NSF awards; \$473,465 of indirect cost overcharges to NSF grants; \$440,148 of unallowable costs charged to NSF grants; and utilizing \$180,255 of remaining fellowship funds for non-award purposes. We found that the University had a practice of charging untimely and unrelated costs into its federal awards. This practice continued at the University throughout our audit period and resulted in significant amounts of questioned costs, as outlined in our report Findings.

Finding 1: Over \$1.9 Million of Overcharged Summer Salaries

UCSB did not comply with either federal regulations and NSF award requirements nor its own policies and procedures that impose specific guidelines for salaries, wages and fringe benefit charges to federal awards. Our audit found that UCSB systematically overcharged faculty summer salaries totaling \$1,913,473 during the months of June, July, August, and September from 2008 to 2010.

According to UCSB policy, faculty are allowed to supplement their academic year salaries by working during the summer months. Faculty who choose to work during the summer can earn up to three months' salary in addition to their normal compensation earned during the academic year.³ However, we found that UCSB's system for allocating summer salaries to its NSF awards is not based on actual work performed on those NSF awards by faculty during the summer period.

³ Academic year appointments are generally considered to be nine months in duration. Consequently, the appointee earns 1/9 annual salary for each month worked. Thus, working up to three summer months could earn the employee an additional three months, or 3/9, the annual salary amount of additional compensation.

Instead, UCSB charged summer salary costs to its NSF awards based on a complex series of mathematical calculations that seek to charge the maximum salary budgeted for the NSF award while distributing a monthly salary costs over a summer period that does not coincide with exact calendar months. In 115 cases, we found amounts charged to NSF for summer salaries exceeded 100 percent of the respective employees' actual salaries. UCSB personnel explained that the Personnel Activity Reports (PARS) for summer periods, which by University policy should reflect actual labor effort worked, do not reflect the actual distribution of employee labor effort, but rather reflect the mathematical allocation of salaries to the summer compensation period. Thus, UCSB's PARS do not provide reliable support for the labor costs UCSB charged to its NSF awards for faculty summer salaries.

2 Code of Federal Regulations (CFR) 220 (formerly Office of Management and Budget Circular A-21), *Cost Principles for Educational Institutions*, Section J, Number 10, states that "charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates." "In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution." NSF Award and Administrative Guide, Chapter V, Allowability of Costs, Section 1, Salaries, Wages, and Fringe Benefits, also indicates that "salary is to be paid at a monthly rate not in excess of the base salary divided by the number of months in the period for which the base salary is paid."

Additionally, 2 CFR 220 requires certification of labor effort/activity contributed by employees on Federal awards. Specifically, paragraph J.10.b.(2) states that a payroll distribution system is required that will " ... reasonably reflect the activity for which the employee is compensated by the institution; and encompass both sponsored and all other activities on an integrated basis." Such a system must provide for after-the-fact confirmation of employee activity by a responsible person with "suitable means of verification that the work was performed." Paragraph J.10.c.(2) states that after-the-fact activity reports for professional staff should be " ... prepared each academic term, but no less frequently than every six months. For other employees ... the reports [should] be prepared no less frequently than monthly ... " Accordingly, a timely certification is necessary to provide reliable support for sponsored award labor charges.

Despite these requirements, the University of California established policies and procedures that are inconsistent with the federal policy and NSF guidelines. Specifically, the University of California Office of the President (UCOP) issued the Academic Personnel Manual (APM), Section 600, Appendix 1, which includes Guidelines for Payment of Additional Compensation to Academic-Year Appointees During the Summer. UCSB follows the APM, which specifies that when the maximum period of service is to be 1/3 of the summer period, then the maximum allowable compensation for one service month is 1/9 of the annual salary rate. The APM further provides that when the maximum period of service is to be 2/3 or the full summer service period, the monthly payment installment for those months may exceed 1/9 of the annual rate; however, total compensation for that period may not exceed 2/9 or 3/9 of the annual salary rate, regardless of the amount paid in a particular month.

The APM also specifies that if the length of the service period for the summer will be indeterminate or irregular, a daily rate should be applied to summer salary calculations. However, this daily rate is based on a 19 day month rather than the actual number of days in a summer month. Using 19 working days as the base for faculty summer salaries resulted in many monthly salary charges to NSF exceeding 1/9 of the annual rates. In fact, the effective monthly salary goes higher for each additional working day in a month where there are more than 19 days. As a result of understating the actual number of work days in a given month, monthly salaries allocated to NSF awards during the summer months were often greater than the 1/9 annual amount one would expect, and ranged as high as 21 percent more than the expected amount. The APM includes a table showing the salary factors to be used when calculating summer salary for federal awards. Indeed, such salary rates are unreasonable and are inconsistent with the Federal requirements as found in 2 CFR 220, Section J.

| Number of Days In Summer Month | Factor For Calculating Summer Salary | Increase in Salary Base Rate |
|-----------------------------------|---|---------------------------------|
| 20 days | 1.0526 | +.0526 |
| 21 days | 1.1053 | +.1053 |
| 22 days | 1.1579 | +.1579 |
| 23 days | 1.2105 | +.2105 |
| Specific Inflated Daily Rates | | |

Source: UCOP, Academic Personnel Manual, Section 600, Appendix 1

Moreover, our audit found, that although the UCOP policy set specific parameters on the use of this daily rate salary calculation (e.g., it should only be used for part-time employees or when the labor effort expended during the summer service period will be irregular), most faculty summer salaries were calculated using the summer salary factors listed above. We found that 30 percent of summer salary charges to NSF awards during the three summers in our audit period were for exactly 2/9 of an employee's annual salary, indicating that each faculty member worked exactly two summer months on their respective NSF awards in these years. However, UCSB's certified PARs did not support this labor cost allocation.

To illustrate, UCSB provided a certified PAR for a particular employee covering the summer 2008 term. According to the PAR, this employee worked 59 percent of his summer time on an NSF award and 41 percent on another project. However, UCSB payroll records show that \$21,978, two months of the employee's \$10,989 monthly salary, was charged to the NSF award. Thus, while the PAR states that the employee worked 59 percent of his summer effort on the NSF award, NSF was charged exactly 2/9th labor costs rather than what the employee actually worked on the award. Furthermore, based on the monthly day factors contained in APM 600, we determined that this employee's salary was allocated to the NSF award based on 11 work days in June 2008, 23 days in July 2008, and 4 days in August 2008. Although UCSB made these

specific monthly allocations, we were told faculty do not prepare daily or monthly PARs. Thus, UCSB could not provide documentation of actual days worked on the NSF awards that were charged these costs.

When we asked UCSB personnel to explain this, and other similar discrepancies, we were told that the PARs do not support actual allocation of labor effort, as stated on the PAR certification. Rather, the PARs reflect the mathematical operation of distributing 3/9 of each employee's annual salary over the summer period and allocating 2/9th of that summer salary to NSF awards. Thus, instead of charging actual incurred summer salary costs to NSF awards based on labor effort expended by its faculty on those federal awards, the University utilized these salary calculation factors during the summer periods in order to charge the maximum 2/9th salary to its NSF awards regardless of the actual labor effort expended by faculty on the NSF awards.

We also found that when a faculty person worked more than the policy-defined 19 working days in a summer month, that faculty person received salary payment that was in excess of their base salary payment. We found 115 transactions, or 11% of the summer salary transactions, where faculty received more than 100% of normal salary during the summer months, in violation of 2 CFR 220.

Thus, NSF overpaid salary and wages, fringe benefits and indirect costs in the amount of \$1,913,473 and we question these costs. These questioned costs are comprised of: \$425,259 of "payments in excess of the base salary" due to faculty member's monthly gross salary exceeding their monthly base salary (See first line in chart below) and \$1,488,214 of salary overcharges due to the usage of a complex series of mathematical calculations based on set factors for calculating summer salary rather than paying faculty based on actual labor effort expended on its NSF awards. (See second line in the chart below).

| | Faculty Total Summer Salaries | Excessive Summer Salaries | Excessive Fringe Benefits | Indirect Costs Related to Overcharges | Total Questioned Costs |
|-------------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------------------|------------------------|
| Payments More than 100% Base Salary | \$1,802,688.77 | \$ 260,298.13 | | | \$ 425,258.72 |
| Inflated Daily Salary Rates | <u>\$6,774,093.25</u> | <u>\$ 922,416.21</u> | | | <u>\$1,488,213.81</u> |
| | | | | | |
| | \$8,576,782.02 | \$1,182,714.34 | | | \$1,913,472.53 |

Summer Salaries Questioned Costs

Finding 2: Over \$2.8 Million of Excess Federal Cash Disbursements Resulted From Not Fulfilling Grant Cost Share Requirements

UCSB could not provide adequate, verifiable cost share documentation that supported the required cost share for its four NSF Awards that ended during our audit period: Award No. 9982105 with required cost share of \$3,072,745; Award No. 0225676 with required cost share of \$954,743; Award No. 0330442 with required cost share of \$225,757; and Award No. 0821168 with required cost share of \$466,385. As a result, UCSB received \$2,821,676 in excess federal disbursements, which we question. Details of each award and the required UCSB cost share commitment are included in Appendix C.

2 CFR Part 215 (OMB Circular A-110), Section 23 and NSF's Grant Policy Manual (GPM), Section 333.6, Cost Sharing Records and Reports, require grantees to maintain records of all costs claimed as cost sharing, and states that those records are subject to audit. These regulations also state that cost-sharing expenses must be verifiable from the recipient's records, not be included as contributions to any other federal award, or funded by any other federal award. Paragraph II.D.4 of NSF's Award and Administrative Guide also reiterates these requirements. Finally, the University of California Office of the President's Contract and Grant Manual, Chapter 5, Cost Sharing (issued April 23, 2004) states that when cost sharing contributions must be documented on a project-by-project basis, each campus must also have a centralized tracking system to capture committed cost sharing amounts, including those stated in effort reports.

During our audit, we requested that UCSB provide us with the cost share documentation that supported the required cost share for its four NSF Awards that ended during our audit period. However, UCSB was not able to provide verifiable documentation from its accounting system to support the allowability of the majority of its cost share claims. This occurred because UCSB does not require cost share contributions to be tracked on a project-by-project basis through its accounting system of record. Instead, UCSB relies on the respective departments that administer awards with cost share requirements to maintain their own independent, off-line systems to track cost share contributions. Furthermore, UCSB personnel explained that the University does not require certified labor effort reports from employees whose salaries are not paid, at least in part, by federal funds. Thus, UCSB has no contemporaneous documentation for claimed labor cost share of employees paid entirely with nonfederal funds.

For example, for NSF award 9982105 with required cost share of \$3,072,745, we received a series of annual Project Contribution Report signed by the Principal Investigator indicating UCSB provided more than \$3.4 million in cost share, including \$2.6 million in contributions from a private foundation. However, the supporting documentation provided with these contribution report consisted of a typed list of expenses (e.g., fees and tuition; salary and wages; equipment; supplies; boat, diving and marine shop; and, indirect costs). UCSB did not provide any other supporting documentation, such as labor effort reports, receipts for equipment purchases, and/or invoices showing costs and purposes of equipment purchases that would allow the auditor to verify that the costs were actually incurred and that those costs were allocable or allowable to the NSF award or that these costs were not claimed as cost share on any other federal award(s).

We did find one award for which UCSB maintained adequate accounting records for a portion of its reported cost share contribution. NSF Award No. 0821168 provided \$750,000 in federal funding and required cost share of \$446,385. UCSB provided two annual cost share reports claiming the University contributed a total of \$458,426 in nonfederal cost share. The claimed cost share consisted of \$295,356 in nonfederal funding of equipment purchases and \$163,070 in salary, benefits, and overhead for an UCSB employee who UCSB reported dedicated a portion of his time to the project during the two-year award period. We were able to verify the \$295,356 in nonfederal payments for equipment through UCSB's accounting system. However, UCSB personnel explained that since the employee was not paid, at least in part, with federal funds, there was no requirement for him to prepare certified time records, and thus, there were no records to support his claimed contribution to the project. Therefore, we accept \$295,356 of UCSB's claimed cost share on Award No. 0821168 and question \$163,070. This example demonstrates that UCSB's accounting system is capable of tracking and reporting cost share without having to rely on departments' off-line systems.

As a result of our audit work, we determined that UCSB lacked an adequate system to identify, account for, monitor and track the cost share it contributed to its NSF awards. Additionally, despite the existence of University of California System policies and procedures requiring centralized tracking and documentation of cost share, these requirements were not followed by UCSB personnel. These deficiencies prohibited us from verifying and validating that UCSB met the majority of its required cost share commitment for the four NSF awards we audited. Thus, we question \$2,821,676 of excess federal disbursements related to these four NSF awards due to UCSB's shortfall in meeting its cost share requirements.

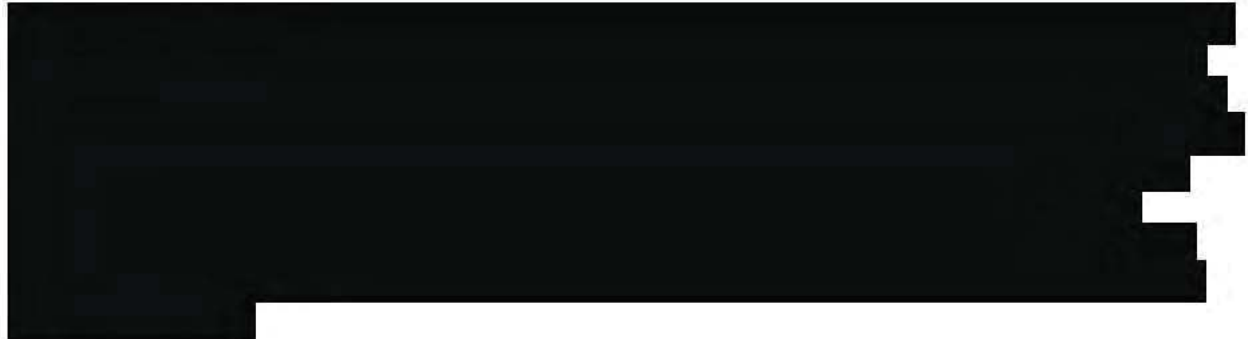
Finding 3: Approximately \$500,000 of Inappropriate Cost Transfers Into NSF Awards

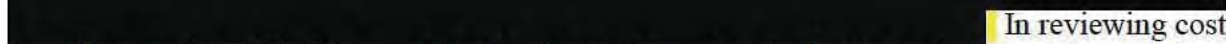
UCSB posted \$496,466 of questionable cost transfers to its NSF grants. Cost transfers are defined as the changing of an expenditure initially posted to one project or award over to another project or award. We found \$276,234 of salary and wages cost transfers between NSF awards for labor costs incurred after the awards to which these costs were posted had expired; \$71,133 of unrelated equipment cost transfers into an NSF grant; \$101,355 of cost transfers made into an NSF grant at grant close out to spend out those grant funds; \$23,274 of cost transfers from one NSF grant that went over budget into an NSF grant with available funds; and \$24,470 of cost transfers for overhead, Department recharges, and materials and supplies that were unrelated to the NSF award to which they were charged.

2 CFR 220, Paragraph C.4.b states that costs cannot be shifted to other grants to meet deficiencies caused by overruns or for other reasons of convenience. Paragraph 71(b) of 2 CFR 215 requires recipients to liquidate⁴ all obligations incurred not later than 90 calendar dates after

⁴ According to federal administrative requirements, an awardee cannot incur costs on a federal award after the expiration date of the award. Additionally, an awardee is required to liquidate, that is, to settle or pay off all outstanding account balances related to expenditures incurred during the award period, not later than 90 calendar days after the final day of the federal award period.

the last day of the federal award period. NSF's Award and Administration Guide reiterates that costs incurred under an expired grant cannot be transferred to the new, continuation grant. UCSB policy requires grants to be closed out within 90 days of grant expiration and cost transfers which occur after 120 days from the original ledger month end date are subject to additional levels of review and approval.



 In reviewing cost transfers, we found that the practice of using cost transfers to charge costs to awards or projects that were unrelated to the costs incurred was prevalent throughout our audit period.

In reviewing cost transfers for salary and wage costs, we found 79 transactions totaling \$276,234 of salary and wages posted to NSF awards after the expiration dates of the award. These costs were posted in UCSB's official accounting records after the grants to which the costs were posted expired. These transactions were nonetheless presented to us by the University as costs claimed on its FFRs during our audit period. The 79 questioned transactions were for costs being moved from one NSF award to another, unrelated NSF award.

We noted another instance where a cost transfer of \$101,355 was made from an institutional account and another NSF award to NSF award 0305390 six months after that award had expired for salary and wages, laptop purchases, and indirect costs. We were advised that the original costs were charged to the wrong accounts. Such explanation was not in compliance with the University's own policies and procedures for processing cost transfers.

In another example, we noted 21 cost transfers totaling \$24,470 for Services – Dept. Recharges, overhead on accounts, and a travel transaction. All these costs were transferred among NSF grants and the final costs were transferred into already expired NSF grants to spend out remaining funds. The explanations for these transfers included employee error and that researchers had forgotten their NSF award had expired. Such explanations did not comply with UCSB policy specifically stating that “employee error” is not an acceptable explanation. Additionally, 50 percent of these questioned cost transfers were attributable to one Principal Investigator.

We also found \$71,133 of supplies charges transferred into an unrelated NSF grant. Per the approved grant budget for NSF Grant 0836757, other direct costs (ODCs) were to be 10% of the total grant costs. However, as of the end of our audit period, ODCs totaled \$124,878 or 56% of

the grant's total costs. The ODCs purchases were for general purpose lab supplies. Additionally, although 56% of the grant funds had been spent on these supplies, less than 33% of the salaries in the NSF approved grant budget had been incurred. The Annual Project report indicated that 12 people were working on the grant, however these numbers are not supported by the salaries paid and charged to the grant; two of the individuals paid with these grant funds were also not included in that report.

It is unreasonable to spend 56% of available grant funds on general purpose lab supplies when ODCs were only budgeted for 10%. This discrepancy is magnified when the project did not incur the requisite salaries to execute the grant objectives. Thus, we question \$71,133, which represents ODCs claimed (\$124,878) in excess of the approved grant budget for ODCs (\$53,745).

The remaining \$23,274 of cost transfers were for budget overruns on one NSF award into another NSF award. These cost transfers were made 4 months after the initial NSF award expired and the costs were transferred into a grant which had available funds at the time of the cost transfer.

For all these cost transfers, the University claimed costs to NSF on its FFRs for the original awards before costs were actually incurred and made cash draw downs for those amounts claimed. The University then spent the money after the grant expired for purposes which did not benefit the original award, and then booked journal entries into the official accounting records to "account for" funds that were originally drawn down without having incurred actual expenses.

Thus, UCSB grant managers and Principal Investigators did not adequately monitor NSF grant expenditures and did not always adhere to federal regulations, NSF award requirements or UCSB's own policies and procedures when processing cost transfers. Further, cost transfers were processed by UCSB personnel into grant accounts that were designated as closed in their accounting system, e.g., inactive accounts which should not have had any additional expenditure entries posted to them. As a result, UCSB claimed expenses on several NSF grants that were for costs unrelated to the NSF grant in order to spend out remaining available grant funds.

Finding 4: Over \$473,000 of Indirect Cost Overcharges to NSF Grants

UCSB charged indirect costs on 1,651 cost transactions that were not in compliance with its negotiated indirect cost rate agreement with HHS and NSF policy. This resulted in \$396,418 of indirect cost overcharges. We also noted UCSB directly charged \$77,047 of indirect costs to its NSF grants for costs related to website security certification, university garage parking, telephone calls, reproduction and photocopy, office furniture, and general purpose computer equipment; costs already reimbursed to UCSB through its Indirect Cost Rate and/or its Service Center Recharges.

2 CFR 220 (OMB Circular A-21) Section E.1 states that facilities and administration costs are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. This guidance further indicates that no final cost objective shall have

allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any F&A cost pool to be allocated to that or any other final cost objective.

Additionally, UCSB's negotiated indirect cost rate agreement (NICRA) with the U.S. Department of Health and Human Services dated September 11, 2006, applicable to our audit period, states that the indirect cost rates are applicable to a modified total direct cost base which includes all the salaries and wages, fringe benefits, materials, supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). However, the NICRA specifically indicates that equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, fellowships, and the portion of each subgrant and subcontract in excess of \$25,000 are excluded from the modified total direct cost base for calculation of indirect costs using the NICRA. Chapter 3 of UCSB's Extramural Fund Accounting Manual specifically reiterates the requirements of 2 CFR 220 and UCSB's NICRA. In addition to the NICRA exclusions, NSF generally prohibits allocation of indirect costs to participant support expenditures.

Overcharging Indirect Costs

UCSB relies on its accounting system to automatically calculate and record the amount of indirect costs it will charge to its NSF awards. Upon receipt of an award letter, the UCSB Office of Research prepares an Award Synopsis that includes information about the indirect costs applicable to that grant. UCSB's Extramural Funds Accounting is then responsible for setting up the accounting system with the appropriate indirect cost rate based on the Award Synopsis. The system-calculated indirect cost amount is then automatically charged to UCSB's NSF awards.

As part of our audit work, we compared the list of UCSB's accounting system "Object Codes Excluded from Indirect Cost" as found in UCSB's Extramural Fund Accounting Manual, and searched UCSB's general ledger data for all object codes that should be excluded from calculations of indirect cost. We then extracted all transactions in the general ledger for those listed object codes. We found 1,651 transactions with indirect costs totaling \$396,418 that were charged on costs explicitly excluded from indirect cost in the areas of tuition remission, rental costs of off-site facilities, participant support, and subawards in excess of \$25,000. Because the charging to UCSB's NSF grants of indirect cost to these particular costs was in violation of both UCSB's NICRA and UCSB's own policies and procedures, we are questioning the \$396,418 due to misapplication of indirect cost rates.

Charging Indirect Costs as Direct Costs

We conducted further data analytics on UCSB's general ledger and extracted all transactions within specific object codes for costs that appeared to be indirect in nature, but for which UCSB directly charged its NSF grants. We found a total of \$233,551 in UCSB's general ledger of costs for items such as website security certification, university garage parking, telephone calls, reproduction and photocopy, office furniture, and general purpose computer equipment. We

selected and tested 17 transactions totaling \$51,847 to determine if these costs were indirect costs. We found all 17 transactions were indirect costs that should not have been directly charged to UCSB's NSF grants.

In addition to these 17 transactions, we also tested telephone costs charged directly to NSF grant 0520415 in the amount \$17,143 and found that these costs should be recouped through the University's indirect cost rate rather than be charged directly to this award. Not only did UCSB charge the indirect costs as direct costs, it also added additional indirect costs of \$8,057 to the indirect telephone costs for a total of \$25,200 of unallowable, directly charged costs.

We therefore question a total of \$77,047 of indirect costs that are unallowable because they should not have been charged directly to UCSB's NSF grants. We found this mischarging occurred because UCSB 1) allocated indirect costs to items that should have been excluded from indirect costs based on negotiated indirect cost rates and NSF policy, and 2) did not comply with 2 CFR 220 in ensuring that indirect costs are not charged directly to a federal award.

Finding 5: \$440,000 of Unallowable Costs Charged to NSF Grants

UCSB charged unallowable costs to its NSF grants for: pizza lunches \$6,085; pre-award cost made with personal credit card for equipment 5 months before grant \$3,166; [REDACTED] Computers (general purpose supplies and equipment) \$48,328; equipment not related to the award and not in the award budget \$204,996; and equipment purchases at the end or after the grant expired \$177,573.

According to 2 CFR 220, Section C.s, to be allowable for a federal grant, a cost must be allocable to the federal award and be necessary and reasonable for the administration and performance of the award. 2 CFR, Part 215 also requires that a federal award recipient's financial management system shall maintain "effective control over and accountability of all funds, property and other assets." NSF's Award and Administration Guide, Chapter V, Allowability of Costs, reiterates that unallowable costs, such as meals and entertainment, pre-award costs, general purpose equipment, and other unnecessary and unreasonable costs should not be charged to NSF awards.

General Purpose Supplies – [REDACTED] Computer Purchases

Our analysis of Purchase (flexcard) transactions posted into UCSB's general ledger revealed several transactions for purchases made for [REDACTED] computer products. We also noted that some of these transactions were conducted near the end of the NSF award periods. We selected 18 transactions totaling \$48,328, obtained supporting documentation for these transactions and inquired of UCSB key personnel as to why certain [REDACTED] computer products were purchased at the end of the grant period for three NSF grants. UCSB personnel advised us that the purchases were made because the computers were needed for new post-doctoral researchers, for visitors' offices, and for the server room. UCSB personnel could not explain how the purchases benefitted the NSF awards. We found that all 18 transactions were for the purchase of general purpose

supplies and according to NSF's Award and Administration Guide, Chapter 5, Section B.2, such purchases are unallowable charges. Thus, we question the \$48,328.

Unallowable Food Costs Charged to IGERT Grant 0801627

We noted payments for pizza were charged to the grant every two weeks to provide lunch during intramural meetings of IGERT students. Because food costs are considered unallowable by nature unless they are in the approved grant budget, and these food costs were not in the approved IGERT grant budget for intramural meetings, we question the \$6,085 of food costs.

Transaction Charged to NSF Award No. 0832090 Prior to Grant Start Date

In conducting data analytics on UCSB's general ledger, we found that UCSB accounting records contained a transaction with a date of April 14, 2008, which was nearly 5 months before the effective date of September 1, 2008 for NSF Award No. 0832090. UCSB personnel explained that the principal investigator (PI) on this award wanted equipment to be available at the start of the award and knew there was a long lead time involved for fabrication. The equipment was purchased with a personal credit card. However, our review of NSF's eJacket system award documents indicated that UCSB did not request, and thus, NSF did not provide, approval for these preaward costs. Therefore, we question the \$3,166 because UCSB could not demonstrate the transaction was not more than 90 days before the award effective date nor did it document NSF approval of the preaward costs.

Unreasonable and Unallocable Equipment Purchases Charged to NSF Awards

We conducted budget-to-actual analytics in the UCSB general ledger for equipment to determine if there were equipment costs charged to NSF awards for which there were no equipment costs in the approved NSF budget. We further reviewed equipment transactions and extracted for review those equipment costs which were purchased near the end of the award period or after the award period expired. The equipment transactions in this testing category are separate from the equipment transactions tested as part of the cost transfers presented within this report. We tested \$777,987 total from the largest transactions in each of these categories and questioned \$382,569 of the transactions as unallowable.

| Equipment Test | Questioned costs |
|---|------------------|
| Near/After Award Period 15 NSF Awards | \$177,573 |
| Not in Award Budget 10 NSF Awards | \$204,996 |
| Total Questioned* *25 Different NSF Awards | \$382,569 |

Our transaction testing results found that equipment purchased near or after the award did not benefit the NSF program; equipment purchased for another federal program was charged to NSF; several of the purchases were for general purpose equipment that benefitted multiple cost centers and should have been capitalized and allocated across the University through the F&A rates; and, purchases were made after the award periods expired.

For equipment purchased at the end of the grant period, we found that 70% of the equipment costs charged to NSF Award 0507227 were incurred during the last 10 months of a No-Cost Extension that was made to this four year award. The approved grant budget only included \$17,000 for equipment, and UCSB could not explain how these late equipment purchases benefitted the NSF grant to which they were charged. Likewise, even though NSF Award 0833077 did not include a budget for equipment, UCSB charged \$23,164 for equipment to the grant with less than two months remaining. When we obtained supporting documentation for the purchase, we found the equipment was to be used on a subsequent grant from the Department of Homeland Security.

Our testing also concluded that for 5 of the 10 awards we questioned that did not have equipment in the approved NSF award budget, general purpose equipment such as computer servers and amplifiers were charged directly to NSF awards rather than to the University's overhead accounts.

In response to our asking why equipment was purchased when the budget did not include equipment cost, or purchased at the end of an award, UCSB personnel advised us they believed they could make such purchases because they were part of the Federal Demonstration Project (FDP). However, while FDP intends to streamline the administration of federally sponsored research, its ultimate goal is to improve "the productivity of research without compromising stewardship. Thus, FDP organizations must still adhere to the requirements of the awards and the federal regulations regarding costs claimed on their federal awards. Thus, participation in the FDP does not relieve UCSB of the requirement to only charge reasonable, allocable, and allowable costs on its NSF awards.

Finding 6: UCSB Used \$180,000 of Remaining Fellowship Funds for Non-Award Purposes

NSF award funds known as "fellowships" are awarded specifically to assist students in their cost of education and provide a stipend. To receive an NSF fellowship award, a student must apply for and be accepted for the award, and must be accepted into a specific institution of higher education program. UCSB reported all fellowship funds as expended at the end of its Cost of Education (COE) fellowship award, NSF Grant 0202759, drew down the remaining available cash balance of the grant, transferred that cash balance of \$180,255.35 to its institutional accounts, and then expended those funds over the next several years after the award expired, on costs unrelated to the fellowship program, for supplies and expenses, materials, and travel. We also noted that the transactions were initially from UCSB's general ledger Fund 21118 – NSF Grant 0202759 but were later transferred to Fund 21599 (UCSB Institutional Account).

According to the award terms and conditions, award 0202759 was to support the National Science Foundation Graduate Fellows affiliated with UCSB with an annual stipend of \$18,000 maximum and \$10,500 per Fellow as a cost-of-education institutional allowance. The grant period expired on November 30, 2006. Also incorporated into the award were the provisions NSF 97_26: Coordinating Officials' Guide, which further specified that fellowship funds may be carried forward from both current and prior year awards but only for use to support any ***NSF Fellow duly enrolled at the Institution for an advanced degree*** in a field supported by NSF. Finally, NSF fellows must apply for, and be approved, for the fellowship.

Upon further research, we found that UCSB had claimed costs for the \$180,255.35 on the award's final FFR despite not having incurring actual expenses under the award. The funds were transferred to the Institutional Fund and expended from 2007 through 2010, after the expiration of the NSF award. We also noted that the costs for which the funds were used were not in compliance with the award terms and conditions. For example, we found expenses for communication service, freight, indirect costs, and general materials and supplies. As such, we question the \$180,255.35.

Recommendations

We recommend that NSF's Director of the Division of Institution and Award Support (DIAS) request UCSB to:

1. **Repay to NSF the \$6,325,483 of questioned costs in this report.** Specifically: \$1,913,473 of questioned summer salaries; \$2,821,676 of excess Federal Cash disbursements; \$496,466 of inappropriate cost transfers into expired NSF awards; \$473,465 of indirect cost overcharges; \$440,148 of unallowable costs; and, \$180,255 of fellowship funds drawn down without having incurred expenses.
2. Strengthen the administrative and management controls and processes over its federal awards. Processes could include:
 - Developing monitoring and detective controls to ensure that employees are adhering to, and in compliance with, the University's own system of policies and procedures.
 - Reviewing its policies and procedures to include periodic reviews of individual departments and divisions for compliance with, and proper implementation of, established cost controls and to ensure that costs claimed on NSF awards relate to that specific award, are within the award budgets, and are incurred during the award period.

- Revising its policies and procedures regarding the salary and wage costs it charges to its NSF awards so that those policies and procedures comply with federal and NSF award requirements.
- Adhering to its existing policies and procedures regarding labor effort reporting and to enhance its cost share system so that the system complies with federal regulations and NSF award requirements.
- Revising policies and procedures related to its indirect cost rates to ensure appropriate indirect cost rates are applied appropriately throughout the life of the award.
- Conducting employee training to reinforce knowledge of UCSB cost control policies and procedures related to the use of federal funds.
- Conducting employee training regarding prohibitions of using cost transfers to spend out remaining NSF award funds or to compensate for NSF award project overruns.
- Developing procedures to ensure that cost transfers are prohibited from 90 days onward after an NSF award has expired.

Summary of Awardee Response and OIG Comments

The University of California, Santa Barbara (UCSB) does not agree with the findings in this report and stated that it did not have adequate time to respond to the draft report. UCSB also indicated that the findings could and should have been resolved during the audit stage, that UCSB wanted to resolve the issues during the audit stage, but that the NSF OIG would not provide requested information to UCSB regarding the findings, would not consider additional information UCSB had related to the findings, and was not consistent in the reasons for questioning certain costs.

The NSF OIG disagrees with these statements. The NSF OIG's position is that the University has been on notice regarding the contents of the draft report since August 14, 2012 and thus, had 45 days to respond to the findings in the draft report. Specifically:

- 1) The University received notification, and obtained knowledge of, the contents of the notification of findings for our audit report on August 14, 2012. On that date, we also advised the University that the notification of findings would comprise the contents of the draft audit report. There are no additional findings from those which were presented to UCSB in the notification of findings in either the draft or final audit reports. At this meeting, we also advised UCSB that the role of the OIG was to make recommendations regarding the findings in the audit report and that the resolution of those findings would occur during the audit resolution process.
- 2) NSF OIG had an in-depth discussion of the findings with the University on August 14, 2012, and provided a data presentation to the University regarding those findings on August 21, 2012.
- 3) NSF OIG had numerous telephone conferences and email exchanges with UCSB personnel regarding the notification of findings which comprised the contents of the draft and final audit reports.
- 4) In response to UCSB's request, NSF OIG sent our Audit Manager back to the University for an additional field visit during the last week of August 2012 to consider additional documentation and to conduct additional interviews with University personnel regarding the findings in our report. This is beyond the normal practice of the OIG. We considered all additional data, documentation, interviews and meeting presentations provided to us by UCSB as a result of this visit. However, the majority of what UCSB provided to us to respond to the report findings did not change our position regarding the findings in the report.
- 5) In response to UCSB's requests for more information regarding what we questioned, NSF OIG did provide transactional and other data to the University for the questioned costs in the notification of findings. We provided transactional data for questioned costs for cost transfers for salaries, grant overruns, costs unrelated to the purpose of the grant, cost transfers to closed NSF awards, details regarding the indirect costs charged directly

to NSF awards, as well as sent details related to the allocation of overhead to all excludable items. We also provided a specific list of the transactions we questioned for equipment and provided the names of the individuals at UCSB that we communicated with regarding those questioned costs. We did not send back to the University their summer salary transactions but advised them the questioned costs for summer salary were related to the transactions that they had provided to us. As noted above, we returned to the University to consider cost share documentation that was not initially provided to us.

Additionally, during the course of the audit, the OIG kept UCSB apprised of its communications with various UCSB personnel and officials as OIG was required to coordinate all its activities through one designated individual at UCSB's campus, the Manager of Extramural Funds Accounting. The Manager of Extramural Funds Accounting was responsible for coordinating all audit questions, answers, and requests for documentation related to our audit. This coordination included communications between the OIG and UCSB personnel. Thus, UCSB should have full knowledge of the individuals that OIG communicated with on the audit issues and should have the information it needs from its management of the audit process with regard to the items questioned in the report.

As discussed during the Exit Conference with UCSB on September 19, 2012, the purpose of the draft report was to communicate the auditor's draft findings and recommendations to the University for their review and comment. According to Federal policy regarding audit resolution found in OMB Circular A-50, the response to the audit report can include "agreement or disagreement on reported findings and recommendations." Once the report is final, the audit resolution process then takes over to resolve outstanding disagreements on the report's findings and determine a course of action to take on agreed-upon recommendations.

Finally, we did not indicate to the UCSB that the findings presented in the report were resolved but instead stated on several occasions that the findings remain as stated. Thus, we believe the audit report is clear and stands as it is.

the amounts identified for contingencies. Therefore, the OIG stands by its recommendation for NSF to require awardees to remove unallowable contingency from proposed budgets, or for NSF to hold the contingency funds until the awardee demonstrates a bona fide need for the funds and provides adequate supporting documentation.

The audits also questioned \$81.7 million of non-contingency funds in one of the proposal budgets. These costs included such things as unsupported costs for labor, materials, and equipment. NSF is continuing to consider its response to recommendations pertaining to these costs, which the OIG has escalated.

Finally, NSF has stated that it will continue to work with the OIG on other escalated recommendations including: obtaining updated cost estimates and audits of awardees' proposed budgets, requiring annual incurred cost submissions and audits, and developing end-to-end cost surveillance procedures for its large cooperative agreements. We look forward to working with NSF to provide better cost surveillance at all stages of the life cycle of the cooperative agreements it uses for its large facility construction projects.

NSF Sustains \$43,551 of \$6.3 million of Questioned Costs at the University of California, Santa Barbara

In response to our recommendations, NSF sustained \$43,551 of the \$6.3 million in questioned costs at the University of California, Santa Barbara (UCSB). The \$43,551 questioned costs related to unallowable equipment purchases, unapproved pre-award costs, and unallowable indirect cost charges claimed by UCSB from January 1, 2008, to December 31, 2010.


We escalated recommendations pertaining to \$2.2 million in cost sharing claimed for which UCSB did not have supporting documentation, \$1.9 million of overcharged summer salaries, and more than \$136,000 of equipment purchased toward the end of a grant. NSF has informed us that it does not intend to sustain any additional costs from the audit stating that the university's treatment of summer salaries complies with its policy and that UCSB maintained adequate supporting documentation for cost share. With respect to equipment purchases, NSF stated that such purchases appeared to be reasonably allocated to NSF grants. OIG disagrees with NSF's decision to allow \$6 million of costs questioned in the audit.

MEMORANDUM

Date: March 31, 2015

To: Mary F. Santonastasso, Director
Division of Institution and Award Support

Karen Tiplady, Director
Division of Grants and Agreements

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

Subject: Audit Report No. 15-1-014
University of Wisconsin at Madison

This memo transmits Cotton & Company's (C&C) report for the audit of costs totaling \$270 million charged by the University of Wisconsin at Madison (UWM) to its sponsored agreements with NSF during the period April 1, 2010 through March 31, 2013. The objectives of the audit were to (1) identify and report on instances of unallowable, unallocable, and unreasonable costs from the transactions tested; (2) to identify and report on instances of noncompliance with regulations, federal financial assistance requirements, and provisions of the NSF award agreements as they relate to the transactions tested; and (3) determine the reasonableness, accuracy, and timeliness of the awardee's ARRA quarterly reporting, including reporting of jobs created under ARRA and grant expenditures for the most recent quarters.

The auditors determined that \$1,669,588 in costs that UWM charged to its NSF sponsored agreements did not always comply with applicable NSF and Federal requirements. Specifically, the auditors questioned \$1,276,668 in senior personnel salary that exceeded NSF's two-month limit; \$192,707 of unreasonably allocated leave accrual payouts; \$70,189 of inappropriately allocated equipment expenses; \$56,965 of expenses incurred after the award period had expired; \$35,592 of unreasonable consulting expenses; \$30,107 of unallowable relocation expenses; and \$7,360 of unreasonable travel expenses.

The auditors also found that UWM properly accounted for and segregated NSF ARRA funded awards in its accounting system. Additionally, UWM's ARRA reports were reasonable, accurate, and timely. For the quarters ending December 31, 2012 and March 31, 2013, expenditures and jobs creation were verified without significant exceptions. However, the auditors found that \$260,926 in unallowable costs (of the \$1,669,588 in total questioned costs) were charged to ARRA awards.

The auditors recommended that NSF address the findings by requiring UWM to resolve the questioned costs of \$1,669,588 and strengthen administrative and management processes and controls. UWM did not agree with the majority of the findings and recommendations. UWM's response, described in the report, is included in its entirety in Appendix B.

Appendices A and D contain summaries of the unallowable items that were questioned. Additional information concerning the questioned items was provided separately by the OIG to the Division of Institution and Award Support, Cost Analysis and Audit Resolution Branch. Please coordinate with our office during the six month resolution period, as specified by OMB Circular A-50, to develop a mutually agreeable resolution of the audit findings. Also, the findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

OIG Oversight of Audit

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

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

C&C is responsible for the attached auditor's report on UWM and the conclusions expressed in the report. We do not express any opinion on the conclusions presented in C&C's audit report.

We thank your staff for the assistance that was extended to our auditors during this audit. If you have any questions regarding this report, please contact Louise Nelson at 303-844-4689 or Ken Lish at 303-844-4738.

Attachment

cc: Michael Van Woert, Executive Officer, NSB
Ruth David, Audit & Oversight Committee Chairperson, NSB
Dale Bell, Deputy Division Director, BFA/ DIAS
Jamie French, Director of Operations, BFA/DGA
Alex Wynnyk, Branch Chief, BFA/ DIAS
Rochelle Ray, Team Leader, BFA/ DIAS
Joanne Rom, Deputy Assistant Director, BFA/OAD

UNIVERSITY OF WISCONSIN AT MADISON

**PERFORMANCE AUDIT OF INCURRED COSTS FOR
NATIONAL SCIENCE FOUNDATION AWARDS
FOR THE PERIOD APRIL 1, 2010, TO MARCH 31, 2013**

**NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL**

UW-Madison also referred to the NSF Proposal Preparation and Award Administration Guide FAQ published in November 2010, an updated FAQ document released in January 2013, recent changes to the NSF GPG, and a January 27, 2015, NSF webinar, all of which state that under normal re-budgeting authority, an awardee can internally approve an increase of person-months devoted to the project, even if doing so results in salary support for senior personnel exceeding the two-month salary rule. UW-Madison emphasizes that, as the recipients of federal funds, it must be able to rely on the oral and written interpretations provided by staff in the NSF Policy Office in order to manage awards responsibly. As the clarifications provided referred to existing policy rather than to a change in policy, UW-Madison asserts that the senior personnel costs are allowable.

Auditors' Additional Comments: Our position regarding the finding does not change. UW-Madison references guidance provided through a number of sources; however, the only source that was applicable during the majority of the audit's period of performance (POP) was the November 2010 FAQ, which did not expressly state that the two-month salary limit could be exceeded through normal re-budgeting authority. The rest of the guidance referenced was not available during the majority of the audit's POP and therefore would not have supported the allocation methodology used at the time these expenses were incurred. Additionally, while the referenced documents and presentations may interpret NSF policies that were effective during the audit's POP, the interpretations do not represent authoritative guidance and therefore do not overrule NSF's Award and Administration Guide, which requires specific approval to allocate more than two months of a senior personnel member's salary to NSF during a one-year period.

Finding 2: Leave Accrual Payouts Unreasonably Allocated to NSF Awards

UW-Madison unreasonably allocated \$192,707 of accumulated leave to NSF awards. Full-year faculty employees⁴ are permitted to save their unused vacation time within an Accumulated Leave Reserve Account (ALRA). The university's cost accounting policies state that these accumulated balances are expensed as incurred, as a direct cost to the source of the employee's funding. As a result, when an employee who has a positive balance within their ALRA account leaves the university, the lump-sum payment of all leave accumulated by the employee is charged to the funding source for the employee's final month of effort, regardless of when the leave was actually earned. Due to this methodology, the university is charging an unreasonable proportion of accumulated leave to NSF awards.

Per 2 Code of Federal Regulations (CFR) 220, Appendix A, Section J.10, compensation for personal services, including salaries and fringe benefits, covers all amounts paid currently or accrued by the institution for services that employees rendered during the POP under sponsored agreements. As a result of UW-Madison's accumulated leave methodology, however, we noted several instances in which the university charged expenses to grants despite the fact that the expenses were related to services rendered before the grant period became effective. Specifically, while each employee identified below did allocate a portion of their effort to the NSF awards to which their leave payouts were allocated, we found nine instances in which the accumulated

⁴ Academic-year faculty at UW-Madison do not accrue vacation leave; this finding therefore relates solely to 12-month faculty.

While many of these employees spent the majority of their time on NSF projects, the detailed payroll data provided by the university shows that their time was not spent solely on the NSF projects to which their lump-sum payouts were charged, but on multiple NSF awards and/or other activities. It was therefore inappropriate to allocate all of the employees' accumulated leave to the award on which they were working at the end of their careers. In addition, seven of the nine employees identified began working at the university before July 2004; as a result, a summary of their payroll earned since July 1, 2004, does not provide an accurate depiction of where these employees allocated the majority of their effort while working at the university.

UW-Madison's cost accounting policies violate rules imposed by 2 CFR 220. We are therefore questioning \$192,707 of salary-related expenses that were unreasonably allocated to NSF.

| Employee Ref No. | NSF Award No. | Fiscal Year | Direct | Fringe | Indirect | Total |
|------------------|---------------|-------------|--------|--------|----------|-------------------------|
| 51 | | 2010-2011 | | | | \$90,360 |
| 369 | | 2012-2013 | | | | 43,751 |
| 371 | | 2011-2012 | | | | 19,214 |
| 373 | | 2010-2011 | | | | 10,012 |
| 378 | | 2012-2013 | | | | 10,366 |
| 381 | | 2010-2011 | | | | 2,220 |
| 382 | | 2011-2012 | | | | 3,481 |
| 384 | | 2010-2011 | | | | 10,966 |
| 386 | | 2010-2011 | | | | 2,337 |
| Total | | | | | | <u>\$192,707</u> |

Recommendations

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

1. Repay NSF the \$192,707 of questioned costs.
2. Develop and implement new policies and procedures related to allocating employee leave payouts that result in an equitable distribution of salary expenses on a basis that is consistent with the periods in which the salary was earned.

University of Wisconsin at Madison Response: UW-Madison believes that accumulated leave balances were reasonable and appropriate charges to NSF awards. The university refers to 2 CFR 220, Appendix A, Section C.3., *Reasonable costs*, which states that a factor in determining reasonableness is the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies. UW-Madison also refers to 2 CFR 200.34 (a), which states that expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied. As UW-Madison consistently applies an approach of treating accumulated leave on a cash basis as direct costs and discloses its treatment of leave accrual payouts in its Disclosure Statement, F&A Rate Agreement, and Effort Guidelines, the university believes that these costs are reasonable and allowable.

TABLE OF CONTENTS

| | |
|---|-----------|
| I. BACKGROUND | 1 |
| II. AUDIT RESULTS | 2 |
| FINDING 1: SALARY COSTS FOR SENIOR PERSONNEL THAT EXCEEDED NSF’S TWO-MONTH MAXIMUM FOR SALARY ALLOCATION | 2 |
| FINDING 2: LEAVE ACCRUAL PAYOUTS UNREASONABLY ALLOCATED TO NSF AWARDS..... | 6 |
| FINDING 3: METHODOLOGY USED TO ALLOCATE EQUIPMENT EXPENSES NOT PROPORTIONAL TO THE BENEFITS RECEIVED | 9 |
| FINDING 4: EXPENSES INCURRED AFTER THE GRANT’S PERIOD OF PERFORMANCE HAD EXPIRED | 11 |
| FINDING 5: UNREASONABLE CONSULTING EXPENSES | 14 |
| FINDING 6: UNALLOWABLE RELOCATION EXPENSES | 16 |
| FINDING 7: UNREASONABLE TRAVEL EXPENSES | 18 |
| FINDING 8: LATE EFFORT CERTIFICATIONS | 20 |
| APPENDIX A: SCHEDULE OF QUESTIONED COSTS BY FINDING..... | 22 |
| APPENDIX B: UNIVERSITY OF WISCONSIN AT MADISON RESPONSE | 24 |
| APPENDIX C: OBJECTIVES, SCOPE, AND METHODOLOGY..... | 44 |
| APPENDIX D: SUMMARY OF SALARY EXPENSES EXCEEDING NSF’S ALLOWABLE AMOUNTS .. | 48 |

**NATIONAL SCIENCE FOUNDATION
PERFORMANCE AUDIT OF INCURRED COSTS
UNIVERSITY OF WISCONSIN AT MADISON**

I. BACKGROUND

The National Science Foundation (NSF) is an independent federal agency whose mission is “to promote the progress of science; to advance the national health, prosperity, and welfare; and to secure the national defense.” Through grant awards, cooperative agreements, and contracts, NSF enters into relationships with non-federal organizations to fund research and education initiatives and to assist in supporting its internal financial, administrative, and programmatic operations.

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

The NSF OIG issued a solicitation to engage a contractor to conduct a performance audit of incurred costs for the University of Wisconsin at Madison (UW-Madison). This performance audit entailed evaluating UW-Madison’s quarterly American Recovery and Reinvestment Act (ARRA) reporting, as well as testing a sample of expenditures that UW-Madison allocated to NSF awards during the audit period. Our audit of UW-Madison, which covered the period from April 1, 2010, through March 31, 2013, encompassed more than \$270 million of expenditures that UW-Madison claimed on Federal Financial Reports (FFRs) related to 1,146 NSF awards.

Cotton & Company LLP (referred to as “we”) conducted a performance audit of expenditures that UW-Madison reported on the FFRs that it filed with NSF for cost reimbursement under its grant awards. We evaluated the accuracy, reasonableness, and timeliness of UW-Madison’s quarterly American Recovery and Reinvestment Act (ARRA) reporting. We also evaluated whether the costs claimed were allocable, allowable, reasonable, and in conformity with NSF award terms and conditions, as well as with applicable federal financial assistance requirements. This performance audit, conducted under Contract No. [REDACTED], was designed to meet the objectives identified in the “Objectives, Scope, and Methodology” section of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards, issued by the Government Accountability Office. We communicated the results of our audit and the related findings and recommendations to UW-Madison and the NSF Office of Inspector General.

II. AUDIT RESULTS

The objectives of this audit included determining the reasonableness, accuracy, and timeliness of the awardee's quarterly ARRA reporting, as well as identifying and reporting on instances of unallowable, unallocable, and unreasonable costs charged to various NSF awards through transaction-based testing.

While evaluating the reasonableness, accuracy, and timeliness of UW-Madison's ARRA reporting, we found that the universe of NSF ARRA-funded awards included approximately \$13.5 million in expenditures across 67 NSF awards. We determined that UW-Madison properly accounted for and segregated NSF ARRA-funded awards in its accounting system, and that the ARRA reports were reasonable, accurate, and timely. For the quarters ending December 31, 2012, and March 31, 2013, we verified expenditures and jobs creation without significant exceptions. We also tested the allowability of expenditures reported for ARRA awards in conjunction with the other NSF awards, and found \$260,926 of questioned costs related to expenses charged to ARRA-funded awards, as discussed in the findings below.

To identify and report on instances of unallowable, unallocable, and unreasonable costs, we performed transaction-based testing on the entire universe of expenditures that UW-Madison claimed on its FFRs during our audit period. This universe encompassed \$270,130,383 in costs claimed on 1,146 NSF awards. Based on the results of our testing, we found a number of instances in which UW-Madison did not comply with all federal, NSF, and university-specific award requirements. As a result, we questioned \$1,669,588 of costs claimed by UW-Madison during the audit period. Specifically we found:

- \$1,276,668 of salary costs for senior personnel that exceeded NSF's two-month maximum for salary allocation
- \$192,707 of unreasonably allocated leave accrual payouts
- \$70,189 of inappropriately allocated equipment expenses
- \$56,965 of expenses incurred after the NSF award period had expired
- \$35,592 of unreasonable consulting expenses
- \$30,107 of unallowable relocation expenses
- \$7,360 of unreasonable travel expenses

Exhibit A of this report provides a breakdown of the questioned costs by finding.

Finding 1: Salary Costs for Senior Personnel That Exceeded NSF's Two-Month Maximum for Salary Allocation

UW-Madison employees that were identified as senior personnel on NSF grants allocated more than two months (or the maximum number of approved months) of their salaries to NSF awards without receiving specific approval to do so.

The NSF Award and Administration Guide, Chapter V, Section B.1.a.(ii)(a) states that NSF normally limits the amount of salary that senior project personnel may allocate to NSF awards to no more than two months of their regular salary in any one year. The guidelines specifically assert that if the grantee anticipates the need to allocate senior personnel salary in excess of two

months, the excess compensation must be requested in the proposal budget, justified in the budget support documentation, and specifically approved by NSF in the award notice. In instances in which the grantee specifically requests to allocate more than two months of a senior personnel member's salary to NSF, the total amount of salary allocable is limited to the maximum number of months that NSF specifically approves within the applicable budget documents.

To evaluate compliance with the NSF Award and Administration Guide, we obtained the university's general ledger and extracted all payroll charged to NSF for employees identified as senior personnel. We summarized the payroll data by employee ID and academic year (AY)¹ and compared it to each employee's approved salary in order to determine what proportion of the employee's salary was allocated to NSF during each AY tested. We then reviewed the NSF budgets for each grant that employees allocated effort to during the AY and evaluated whether the proportion of each employee's salary allocated and charged to the grant was greater than the proportion allowable. We found 45 instances in which the proportion of an employee's salary charged to NSF-funded projects was more than the allowable proportion per NSF policies, as follows:

| Instance No. | Employee Ref No. | AY | AY Salary | Allocated to NSF | Allowable Months | Allowable Salary ² | Unallowable Salary |
|--------------|------------------|-----------|-----------|------------------|------------------|-------------------------------|--------------------|
| 1 | 1 | 2010-2011 | \$195,000 | \$44,298 | 2 | \$43,333 | \$965 |
| 2 | 2 | 2010-2011 | 171,609 | 108,436 | 4.07 | 77,605 | 30,831 |
| 3 | 2 | 2011-2012 | 171,609 | 110,696 | 4.07 | 77,605 | 33,091 |
| 4 | 2 | 2012-2013 | 188,770 | 65,211 | 2 | 41,948 | 23,263 |
| 5 | 3 | 2012-2013 | 190,000 | 64,388 | 2 | 42,222 | 22,166 |
| 6 | 4 | 2009-2010 | 162,929 | 44,148 | 2 | 36,206 | 7,942 |
| 7 | 4 | 2010-2011 | 162,929 | 53,754 | 2 | 36,206 | 17,548 |
| 8 | 5 | 2011-2012 | 101,359 | 27,150 | 2 | 22,525 | 4,625 |
| 9 | 6 | 2011-2012 | 137,964 | 31,770 | 2 | 30,659 | 1,111 |
| 10 | 7 | 2010-2011 | 104,752 | 35,205 | 2.13 | 24,792 | 10,413 |
| 11 | 8 | 2011-2012 | 101,689 | 72,030 | 4.25 | 48,020 | 24,010 |
| 12 | 9 | 2009-2010 | 181,799 | 50,452 | 2 | 40,400 | 10,052 |
| 13 | 9 | 2010-2011 | 191,799 | 67,269 | 2 | 42,622 | 24,647 |
| 14 | 9 | 2011-2012 | 199,299 | 48,718 | 2 | 44,289 | 4,429 |
| 15 | 10 | 2010-2011 | 90,337 | 25,094 | 2 | 20,075 | 5,019 |
| 16 | 11 | 2010-2011 | 122,995 | 40,579 | 2 | 27,332 | 13,247 |
| 17 | 12 | 2010-2011 | 104,742 | 110,587 | 4.07 | 47,366 | 63,221 |
| 18 | 12 | 2011-2012 | 140,000 | 87,304 | 2 | 31,111 | 56,193 |
| 19 | 13 | 2009-2010 | 80,107 | 26,157 | 2 | 17,802 | 8,355 |
| 20 | 14 | 2011-2012 | 139,844 | 43,469 | 2 | 31,076 | 12,393 |
| 21 | 15 | 2009-2010 | 87,918 | 26,265 | 2 | 19,537 | 6,728 |
| 22 | 15 | 2010-2011 | 87,819 | 26,076 | 2 | 19,515 | 6,561 |

¹ UW-Madison monitors salary activity using an academic year that begins on September 1 of one year and ends on August 31 of the following year.

² Each employee identified was classified as Academic Year Faculty, meaning that their AY salary amount was based on a nine-month appointment. We therefore calculated the allowable salary by dividing each employee's AY salary by nine and multiplying the resultant monthly salary by the number of allowable months.

| Instance No. | Employee Ref No. | AY | AY Salary | Allocated to NSF | Allowable Months | Allowable Salary ² | Unallowable Salary |
|--------------|------------------|-----------|-----------|------------------|------------------|-------------------------------|--------------------|
| 23 | 15 | 2011-2012 | 103,242 | 28,678 | 2 | 22,942 | 5,736 |
| 24 | 16 | 2010-2011 | 89,573 | 27,375 | 2.13 | 21,199 | 6,176 |
| 25 | 16 | 2011-2012 | 89,573 | 27,419 | 2.13 | 21,199 | 6,220 |
| 26 | 17 | 2009-2010 | 85,901 | 23,276 | 2 | 19,089 | 4,187 |
| 27 | 18 | 2011-2012 | 62,995 | 20,998 | 2 | 13,999 | 6,999 |
| 28 | 19 | 2010-2011 | 120,608 | 31,417 | 2 | 26,802 | 4,615 |
| 29 | 20 | 2009-2010 | 85,216 | 23,613 | 2 | 18,937 | 4,676 |
| 30 | 20 | 2010-2011 | 90,216 | 53,410 | 2 | 20,048 | 33,362 |
| 31 | 20 | 2011-2012 | 90,216 | 38,740 | 2 | 20,048 | 18,692 |
| 32 | 21 | 2010-2011 | 105,000 | 24,529 | 2 | 23,333 | 1,196 |
| 33 | 22 | 2011-2012 | 90,975 | 64,289 | 2 | 20,217 | 44,072 |
| 34 | 23 | 2010-2011 | 103,815 | 40,328 | 3.13 | 36,105 | 4,223 |
| 35 | 24 | 2009-2010 | 85,000 | 27,283 | 2.13 | 20,117 | 7,166 |
| 36 | 25 | 2011-2012 | 82,000 | 47,833 | 4.25 | 38,722 | 9,111 |
| 37 | 26 | 2011-2012 | 120,000 | 40,000 | 2 | 26,667 | 13,333 |
| 38 | 27 | 2010-2011 | 101,729 | 24,929 | 2 | 22,606 | 2,323 |
| 39 | 28 | 2010-2011 | 101,729 | 24,656 | 2 | 22,606 | 2,050 |
| 40 | 29 | 2011-2012 | 96,000 | 32,000 | 2 | 21,333 | 10,667 |
| 41 | 30 | 2011-2012 | 92,000 | 30,667 | 2 | 20,445 | 10,222 |
| 42 | 31 | 2011-2012 | 93,793 | 28,659 | 2 | 20,843 | 7,816 |
| 43 | 32 | 2011-2012 | 76,000 | 25,333 | 2 | 16,889 | 8,444 |
| 44 | 33 | 2011-2012 | 75,000 | 20,833 | 2 | 16,666 | 4,167 |
| 45 | 34 | 2011-2012 | 87,000 | 29,000 | 2 | 19,333 | 9,667 |

UW-Madison understands that NSF generally limits the allocation of salaries for senior project personnel to no more than two months of their regular salary in any one year; however, it believes that the NSF Grant Proposal Guide (GPG) allows grantees to allocate more than two months of a senior personnel member's salary when the allocation is justified and disclosed in the budget and in the "Current and Pending Support" documents provided to NSF as part of the grant proposal. The university also believes that these GPG instructions only apply in the event that a need for extra salary allocation is recognized at the time of the proposal; it noted that some of the questioned salary costs identified relate to situations in which a need for increased effort was recognized after award and therefore would not have required prior approval based on its interpretation of the GPG. The university contends that NSF's Award and Administration Guide does not require grantees to obtain prior approval for senior personnel to allocate more than two months' compensation to an award, as this requirement was not included in the approval matrix, and that the university is therefore not required to request approval from NSF to re-budget funding in this situation. UW-Madison specifically references the Proposal Preparation and Award Administration Frequently Asked Questions (FAQ) document available on NSF's website, which states that NSF does not require prior approval to re-budget senior personnel salary in this manner.

The NSF OIG contends that simply including information on budgeted salary for other sponsored projects within the "Current and Pending Support" document provided to NSF does not fulfill the NSF Award and Administration Guide's requirement that any compensation for senior personnel in excess of two months of their regular AY salary must be disclosed in the

proposal budget, justified in the budget support documentation, and specifically approved by NSF in the award notice. While we agree that the *Grantee Notifications to and Requests for Approval from the National Science Foundation* matrix included in NSF's Award and Administration Guide does not specifically require grantees to obtain approval before allocating more than two months of a senior personnel member's compensation to an award, the matrix also states, "This listing of Notifications and Requests for Approval is not intended to be all-inclusive." As this requirement was not specifically waived, UW-Madison should have followed the guidance in Chapter V, Section B.1.a(ii)(a). In addition, while the FAQ referenced by UW-Madison does indicate that grantees are not required to obtain prior approval from NSF to exceed the two-month salary limit, the FAQ responses do not represent authoritative guidance and therefore do not overrule the Award and Administration Guide requirements.

UW-Madison was not able to provide any documentation to verify that NSF had given express permission, either through grant budgets or through subsequent approvals, for the identified employees to allocate more than two months (or the maximum number of months identified) of their salary to NSF. We are therefore questioning \$1,276,668³ of salary, fringe, and indirect expenses charged to NSF that exceeded the allocation limits.

Recommendations

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

1. Repay NSF the \$1,276,668 of questioned costs.
2. Strengthen the administrative and management controls and processes over the amount of senior personnel salaries charged to NSF awards.
3. Implement university-wide procedures to ensure that all departments are monitoring the allocation of senior personnel salaries.

University of Wisconsin at Madison Response: UW-Madison believes that salaries for all 45 employees are appropriately allocated to NSF awards. The university claims that its senior personnel salary needs were identified at the time of the proposal in each of the cases identified above, and that it included the salary to be paid within the budget and budget justification. UW-Madison believes that this information, combined with information in the Current and Pending Support document, provides a complete snapshot of intended and potential effort and the time period over which the expended effort may occur.

In addition, UW-Madison noted that the NSF GPG's instructions on the inclusion of salary in excess of the two-month limit are provided only in the event that a need for such compensation is recognized at the time of proposal. The university stated that several of the questioned salary costs involved situations in which a need for increased effort was recognized post-award, and as NSF policy provides re-budgeting authority without prior NSF approval, these costs should not be questioned.

³ See Appendix D for details regarding how this amount was calculated.

UW-Madison also referred to the NSF Proposal Preparation and Award Administration Guide FAQ published in November 2010, an updated FAQ document released in January 2013, recent changes to the NSF GPG, and a January 27, 2015, NSF webinar, all of which state that under normal re-budgeting authority, an awardee can internally approve an increase of person-months devoted to the project, even if doing so results in salary support for senior personnel exceeding the two-month salary rule. UW-Madison emphasizes that, as the recipients of federal funds, it must be able to rely on the oral and written interpretations provided by staff in the NSF Policy Office in order to manage awards responsibly. As the clarifications provided referred to existing policy rather than to a change in policy, UW-Madison asserts that the senior personnel costs are allowable.

Auditors' Additional Comments: Our position regarding the finding does not change. UW-Madison references guidance provided through a number of sources; however, the only source that was applicable during the majority of the audit's period of performance (POP) was the November 2010 FAQ, which did not expressly state that the two-month salary limit could be exceeded through normal re-budgeting authority. The rest of the guidance referenced was not available during the majority of the audit's POP and therefore would not have supported the allocation methodology used at the time these expenses were incurred. Additionally, while the referenced documents and presentations may interpret NSF policies that were effective during the audit's POP, the interpretations do not represent authoritative guidance and therefore do not overrule NSF's Award and Administration Guide, which requires specific approval to allocate more than two months of a senior personnel member's salary to NSF during a one-year period.

Finding 2: Leave Accrual Payouts Unreasonably Allocated to NSF Awards

UW-Madison unreasonably allocated \$192,707 of accumulated leave to NSF awards. Full-year faculty employees⁴ are permitted to save their unused vacation time within an Accumulated Leave Reserve Account (ALRA). The university's cost accounting policies state that these accumulated balances are expensed as incurred, as a direct cost to the source of the employee's funding. As a result, when an employee who has a positive balance within their ALRA account leaves the university, the lump-sum payment of all leave accumulated by the employee is charged to the funding source for the employee's final month of effort, regardless of when the leave was actually earned. Due to this methodology, the university is charging an unreasonable proportion of accumulated leave to NSF awards.

Per 2 Code of Federal Regulations (CFR) 220, Appendix A, Section J.10, compensation for personal services, including salaries and fringe benefits, covers all amounts paid currently or accrued by the institution for services that employees rendered during the POP under sponsored agreements. As a result of UW-Madison's accumulated leave methodology, however, we noted several instances in which the university charged expenses to grants despite the fact that the expenses were related to services rendered before the grant period became effective. Specifically, while each employee identified below did allocate a portion of their effort to the NSF awards to which their leave payouts were allocated, we found nine instances in which the accumulated

⁴ Academic-year faculty at UW-Madison do not accrue vacation leave; this finding therefore relates solely to 12-month faculty.

leave that was charged to the grant may have been earned by the employee before the effective date of the award:

| Employee Ref No. | Employee's Start Date | NSF Award No. | Award Effective Date | Lump-Sum Payout Date |
|------------------|-----------------------|---------------|----------------------|----------------------|
| 51 | 03/01/1976 | | 04/01/2006 | 12/27/2010 |
| 369 | 11/13/1978 | | 10/01/2010 | 1/24/2013 |
| 371 | 03/02/1983 | | 09/15/2010 | 08/26/2011 |
| 373 | 07/09/2001 | | 04/01/2006 | 06/23/2010 |
| 378 | 08/08/1996 | | 09/01/2011 | 11/15/2012 |
| 381 | 01/01/2007 | | 09/01/2009 | 06/11/2011 |
| 382 | 09/01/2006 | | 09/01/2009 | 10/21/2011 |
| 384 | 07/01/1978 | | 04/01/2006 | 03/23/2011 |
| 386 | 09/01/1986 | | 04/01/2006 | 09/24/2010 |

In addition, 2 CFR 220 Appendix A, Section J.10.b(1)(b) states that the apportionment of employees' salaries and wages chargeable to more than one sponsored agreement or other cost objective must be accomplished by methods that will produce an equitable distribution of charges for the employees' activities. Based on this criterion, we did not note any exceptions in cases in which lump-sum payments were provided to employees who allocated all of their effort to one award during their appointment at the university. In each of the nine instances identified above, however, the employees allocated their effort to more than one funding source during their appointment at the university, but the university did not apportion to each funding source its relative share of the associated expenses, as required.

UW-Madison claims that these lump-sum payments are calculated and allocated appropriately in accordance with its cost accounting policies, which have been approved by its cognizant federal agency, and therefore no exceptions should be noted. In response to our evaluation that the allocation methodology used was not proportional to the benefits received by NSF, UW-Madison personnel provided a spreadsheet detailing all salary earned by each of the identified individuals from July 1, 2004, through the date of their retirement. The data indicated that most of the employees were working on NSF projects for a large proportion of the time period identified, as follows:

| Employee Ref No. | Employee Start Date | Percentage of Salary Paid by NSF Since July 1, 2004 |
|------------------|---------------------|---|
| 51 | 03/01/1976 | 91% |
| 369 | 11/13/1978 | 93% |
| 371 | 03/02/1983 | 100% |
| 373 | 07/09/2001 | 88% |
| 378 | 08/08/1996 | 83% |
| 381 | 01/01/2007 | 98% |
| 382 | 09/01/2006 | 4% |
| 384 | 07/01/1978 | 100% |
| 386 | 09/01/1986 | 77% |

While many of these employees spent the majority of their time on NSF projects, the detailed payroll data provided by the university shows that their time was not spent solely on the NSF projects to which their lump-sum payouts were charged, but on multiple NSF awards and/or other activities. It was therefore inappropriate to allocate all of the employees' accumulated leave to the award on which they were working at the end of their careers. In addition, seven of the nine employees identified began working at the university before July 2004; as a result, a summary of their payroll earned since July 1, 2004, does not provide an accurate depiction of where these employees allocated the majority of their effort while working at the university.

UW-Madison's cost accounting policies violate rules imposed by 2 CFR 220. We are therefore questioning \$192,707 of salary-related expenses that were unreasonably allocated to NSF.

| Employee Ref No. | NSF Award No. | Fiscal Year | Direct | Fringe | Indirect | Total |
|------------------|---------------|-------------|--------|--------|----------|-------------------------|
| 51 | | 2010-2011 | | | | \$90,360 |
| 369 | | 2012-2013 | | | | 43,751 |
| 371 | | 2011-2012 | | | | 19,214 |
| 373 | | 2010-2011 | | | | 10,012 |
| 378 | | 2012-2013 | | | | 10,366 |
| 381 | | 2010-2011 | | | | 2,220 |
| 382 | | 2011-2012 | | | | 3,481 |
| 384 | | 2010-2011 | | | | 10,966 |
| 386 | | 2010-2011 | | | | 2,337 |
| Total | | | | | | <u>\$192,707</u> |

Recommendations

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

1. Repay NSF the \$192,707 of questioned costs.
2. Develop and implement new policies and procedures related to allocating employee leave payouts that result in an equitable distribution of salary expenses on a basis that is consistent with the periods in which the salary was earned.

University of Wisconsin at Madison Response: UW-Madison believes that accumulated leave balances were reasonable and appropriate charges to NSF awards. The university refers to 2 CFR 220, Appendix A, Section C.3., *Reasonable costs*, which states that a factor in determining reasonableness is the extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies. UW-Madison also refers to 2 CFR 200.34 (a), which states that expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied. As UW-Madison consistently applies an approach of treating accumulated leave on a cash basis as direct costs and discloses its treatment of leave accrual payouts in its Disclosure Statement, F&A Rate Agreement, and Effort Guidelines, the university believes that these costs are reasonable and allowable.

Auditors' Additional Comments: Our position regarding the finding does not change. While UW-Madison does consistently allocate accumulated leave payout in accordance with 2 CFR 220, Appendix A, Section C.3, this methodology does not represent an equitable distribution of the costs incurred on sponsored projects, as required by 2 CFR 220, Appendix A, Section J.10.b(1)(b). The university may use either a cash-basis or an accrual-basis methodology to account for accumulated leave payouts; however, in both cases the methodology must allocate an equitable portion of the employee's leave payout to each funding source the employee worked on while earning the accumulated leave. Based on our review, UW-Madison's current methodology resulted in NSF grants being allocated an unreasonable portion of employees' accumulated leave when they left the university. Our finding therefore does not change.

Finding 3: Methodology Used to Allocate Equipment Expenses Not Proportional to the Benefits Received

Equipment purchased by UW-Madison was used to achieve more than one cost objective; however, these costs were not allocated on a reasonable basis according to the benefits acquired. UW-Madison personnel did not maintain adequate documentation to justify the methodology used to allocate the expenses to NSF-funded awards. As the methodology appears to be unreasonable, we are questioning \$70,189 in inappropriately allocated expenses.

Per 2 CFR 220, Appendix A, Section C.4.d(3), if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If the relevant proportions cannot be determined due to the interrelationship of the work involved, the costs may be allocated or transferred to the benefited projects on any reasonable basis. UW-Madison did not allocate equipment expenses based on the proportional benefits received by the NSF-sponsored awards, nor did it use a reasonable basis relative to the projects that benefitted from the equipment purchase.

NSF Award No. 0628560 had a 5-year POP that began October 1, 2006, and ended September 30, 2011. On September 14, 2011, 16 days before the grant's POP expired, UW-Madison personnel ordered an Autonomous Underwater Vehicle (AUV) from [REDACTED]. The total cost of this equipment was \$71,015. Of this amount, \$48,301 (68 percent) was allocated to this NSF award. A total of \$21,888 (31 percent) was allocated to NSF Award No. 0941510, and \$826 (1 percent) was allocated to general university funding sources. According to UW-Madison personnel, the costs were allocated based on the estimated benefit to the project; however, as this equipment was available for less than 1 percent of NSF Award No. 0628560's POP, the allocation of 68 percent of the equipment's price to this NSF award does not appear to have been based on the relative benefit this award received.

In addition, the methodology used to allocate the expense was not appropriately based on the benefits that each funding source received, as required by 2 CFR 220 Appendix A, Section C.4.d(3). According to the university, the equipment purchased was directly applicable in obtaining physical limnology measurements (NSF Award No. 0628560), advancing network science (NSF Award No. 0941510), and assisting in research funded by the National Oceanic and Atmospheric Administration (NOAA). Costs incurred to purchase the AUV were allocated

to NSF Award No. 0628560 and NSF Award No. 0941510; however, none of the incurred expenses were allocated to NOAA, even though NOAA-funded projects benefitted from the purchase of this equipment.

As the methodology used to allocate the AUV expenses was unreasonable, did not represent an equitable disbursement of the costs based on the benefits that each funding source would receive, and was not supported by adequate documentation, we were not able to verify the appropriate percentage of the cost that should have been allocated to NSF. We are therefore questioning all expenses related to the purchase of the AUV that were charged to NSF Award No. 0628560 and NSF Award No. 0941510.

| NSF Award No. | Fiscal Year | Questioned Costs | | |
|---------------|-------------|------------------------|-------------------|------------------------|
| | | Direct | Indirect | Total |
| 0628560 | 2011-2012 | \$48,301 | \$0 | \$48,301 |
| 0941510 | 2011-2012 | <u>21,888</u> | <u>0</u> | <u>21,888</u> |
| Total | | <u>\$70,189</u> | <u>\$0</u> | <u>\$70,189</u> |

Recommendations

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

1. Repay NSF the \$70,189 of questioned costs.
2. Strengthen the administrative and management controls and processes over allocating expenses for equipment and supplies to sponsored funding sources.
3. Implement processes and procedures that require documentation of the methodology used to allocate expenses to sponsored projects, as well as a justification for how the methodology was determined.

University of Wisconsin at Madison Response: UW-Madison believes that the allocation of expenses for the AUV were appropriate. The university claims that the costs were reasonable, allocable, and required for the furtherance of both NSF grants charged, and that they were therefore allowable on both grants in accordance with the NSF Award and Administration Guide. UW-Madison contends that the methodology used to allocate the cost of this piece of equipment was based on the approximate percentage of estimated benefit to each project and is not flawed because 2 CFR Part 220 allows costs to be allocated on any reasonable basis if the precise proportion cannot be determined. UW-Madison's response states that the activities performed on each of the NSF grants were interrelated and the precise benefit could not be determined; however, its estimate was reasonable, and the costs should therefore be allowable.

Auditors' Additional Comments: Our position regarding the finding does not change. It was unreasonable for UW-Madison to allocate 68 percent of the costs incurred to purchase the AUV to an NSF grant that was expiring 16 days after the purchase was initiated. In addition, the methodology used to allocate the expenses among funding sources was flawed. UW-Madison

personnel stated that the AUV was used not only to support multiple NSF awards, but also to support a NOAA-funded grant. As none of the AUV expenses were allocated to NOAA, it is clear that the expenses incurred were not equitably distributed based on the benefits received, as required by 2 CFR 220, Appendix A, Section C.4.d(3).

Finding 4: Expenses Incurred After the Grant's Period of Performance Had Expired

Purchase orders for equipment and other supplies allocated to NSF grants were submitted after the grant's POP had expired. As a result, UW-Madison personnel inappropriately allocated to expired NSF awards \$56,965 of expenses related to equipment and supplies.

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

In addition, the NSF Award and Administration Guide, Chapter V, Section A.2.c specifically states that NSF funds may not be expended subsequent to the expiration date of the grant, except to liquidate valid commitments that were made on or before the expiration date. As the commitments to incur the costs identified below were not made until after the NSF award periods had expired, these expenses are expressly unallowable per NSF policies and procedures.

NSF Award No. 0446017 had a POP of March 1, 2005, through February 28, 2011. On May 10, 2011, or 71 days after the grant's POP had expired, the university allocated to this award \$20,816 of expenses incurred to purchase equipment that would provide measurements in support of modeling lake microbial dynamics. The invoice for these expenses was dated April 26, 2011, or 57 days after the grant's POP had expired. The associated purchase order was dated March 8, 2011, or 8 days after the POP had expired.

On March 29, 2011, or 29 days after the grant's POP had expired, the university allocated to this award \$7,837 of supplies related to modeling lake microbial dynamics. The invoice for these expenses was dated March 14, 2011, or 14 days after the grant's POP had expired. The associated purchase order was dated March 4, 2011, or 4 days after the grant's POP had expired.

On April 1, 2011, or 32 days after the grant's POP had expired, the university allocated to this award \$5,868 of supplies related to modeling lake microbial dynamics. The invoice for these expenses was dated March 16, 2011, or 16 days after the grant's POP had expired. The associated purchase order was dated March 3, 2011, or 3 days after the grant's POP had expired.

UW-Madison stated that it received specific permission to purchase the aforementioned supplies and equipment under NSF Award No. 0446017. The university submitted a re-budgeting request to NSF on February 11, 2011, in which it requested permission to reallocate funds initially budgeted for a sub-award and purchase the identified equipment instead. The re-budgeting request was reviewed by NSF when it was submitted; however, as the purchase orders were not created until after the grant's POP had expired, the expenses are unallowable per the NSF Award and Administration Guide.

NSF Award No. 0911559 had a POP of August 1, 2009, through July 31, 2012. On October 17, 2012, or 78 days after the grant's POP had expired, the university allocated to this award \$17,017 of expenses incurred to purchase computer equipment. The invoice supporting this expense was dated September 27, 2012, or 58 days after the grant's POP had expired, and showed that the equipment was ordered on August 8, 2012, or 8 days after the POP had expired. The associated purchase order was dated August 2, 2012, or 2 days after the grant's POP had expired.

UW-Madison claimed that toward the end of the grant cycle, it became clear that the university's computational resources were not adequate to finish the project in the time remaining on the grant, and it therefore purchased these computers to eliminate this bottleneck. The university provided a purchase requisition form dated July 27, 2012 (4 days before the grant's POP expired) to support that the equipment was ordered within the grant's POP; however, a purchase requisition does not represent a valid commitment. The university also provided an e-mail dated July 27, 2012, in which an employee states that they placed the order for this equipment; however, the e-mail does not provide sufficient support to verify that the equipment was ordered on this date. We are therefore using the date provided on the purchase order. Additional computing power may have been necessary toward the end of the grant's POP; however, as the purchase order was not created until after the grant's POP had expired, the expenses are unallowable per the NSF Award and Administration Guide.

NSF Award No. 0840494 had a POP of August 1, 2009, through July 31, 2012. On October 17, 2012, or 78 days after the grant's POP had expired, the university allocated to this award \$5,672 of expenses incurred to purchase computer equipment. The invoice supporting these expenses was dated September 27, 2012, or 58 days after the grant's POP had expired, and showed that the equipment was ordered on August 8, 2012, or 8 days after the POP had expired. The associated purchase order was dated August 2, 2012, or 2 days after the grant's POP had expired.

NSF Award No. 0840494 was awarded to purchase a modern computer cluster for use by the entire departmental research and teaching community. UW-Madison stated that there was a small amount of money left at the end of the grant's POP, and it therefore combined this leftover amount with the funding remaining on NSF Award No. 0911559 to purchase additional servers for the computer cluster. UW-Madison provided a purchase requisition form dated July 27, 2012 (4 days before the grant's POP expired) to support that the equipment was ordered within the grant's POP; however, a purchase requisition does not represent a valid commitment. The university also provided an e-mail dated July 27, 2012, in which an employee states that they placed the order for this equipment; however, this e-mail does not provide sufficient support to verify that the equipment was ordered on this date. We are therefore using the date provided on the purchase order. While the purchase of this equipment appears to be related to the scope of the grant, the purchase order was not created until after the grant's POP had expired, and the expenses are therefore unallowable per the NSF Award and Administration Guide.

As the equipment/supplies identified were not purchased until after each award's POP had expired, they would not have been available to benefit the NSF awards charged and therefore were not allocable to those awards per 2 CFR 220, Appendix A, Section C.4.a. Additionally, as valid commitments to incur these expenses were not made on or before the expiration date of the

NSF awards identified, these expenses are expressly unallowable per the NSF Award and Administration Guide. We are therefore questioning \$56,965 of expenses associated with equipment purchased under NSF awards after the awards had expired.

| NSF Grant No. | Fiscal Year | Questioned Costs | | |
|---------------|-------------|-------------------------|-------------------------|------------------------|
| | | Direct | Indirect | Total |
| 0446017 | 2010-2011 | ██████████ | ██████████ ¹ | \$38,084 |
| 0911559 | 2012-2013 | ██████████ | ██████████ | 17,017 |
| 0840494 | 2012-2013 | ██████████ ² | ██████████ | 1,864 |
| Total | | ██████████ | ██████████ | <u>\$56,965</u> |

¹Indirect costs were applied to the expenses incurred for the supplies purchased at a rate of █████ percent. Indirect expenses were not applied to the \$20,816 equipment purchase.

²The sampled expenditure was for █████; however, █████ of this expense was transferred off NSF Award No. 0840494 on February 25, 2013. We are therefore only questioning the remaining \$1,864 of the sampled expense.

Recommendations

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

1. Repay NSF the \$56,965 of questioned costs.
2. Strengthen the administrative and management controls and processes over charging expenses to federal grants near or after the grant's expiration date. Processes could include implementing policies and procedures to ensure that all expenses charged to federal grants within the final 90 days of the grant's POP are reviewed for allowability, allocability, and reasonableness.

University of Wisconsin at Madison Response: UW-Madison does not agree with our recommendation to disallow these costs, as the purchase requisitions were placed before the grant's POP had expired. The university claims that administrative processes delayed the finalization of paperwork for the purchase of the identified equipment/supplies; however, as the purchased equipment/supplies were reasonable in terms of the purposes of the grants, these costs should be allowable.

Auditors' Additional Comments: Our position regarding the finding does not change. The NSF Award and Administration Guide, Chapter V, Section A.2.c specifically states that NSF funds may not be expended subsequent to the expiration date of the grant, except to liquidate valid commitments that were made on or before the expiration date. As the identified purchases did not represent valid commitments made before the NSF grants expired, these costs are expressly unallowable. Additionally, as UW-Madison would not have received the purchased equipment and supplies until after the grant's POP had expired, the NSF grant would not have benefitted from these purchases, and it was therefore unreasonable to allocate the expenses to these awards.

Finding 5: Unreasonable Consulting Expenses

In two cases, consultants performed work for UW-Madison during the effective period of a grant, but UW-Madison did not enter into an agreement to pay these consultants until near or after the grant's expiration date. Consequently, UW-Madison inappropriately allocated more than \$35,000 of consultant expenses to NSF awards.

Per 2 CFR 220, Appendix A, Section C.4.b, costs allocable to a particular sponsored agreement may not be shifted in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law, or for any other reasons of convenience; however, we identified payments that appear to have been made to consultant service providers inappropriately as a matter of convenience.

NSF Award No. [REDACTED] had a POP from August 1, 2007, through January 31, 2012. On March 12, 2012, or 41 days after the grant's POP had expired, the university allocated to this award \$19,162 of consultant expenses for work that [REDACTED] performed at the university from January 1 through August 15, 2011. While the work was performed during the grant's POP, [REDACTED] the invoice requesting payment for these services was dated March 6, 2012, or approximately 14 months after the work began, 6 months after the work was completed, and 1 month after the grant's POP had expired.

UW-Madison stated that it received all invoices for this agreement long after the work was performed, and as it received all of the invoices at once, they were paid as a single transaction. The university contends that the work performed by [REDACTED] was structured in the original grant budget as [REDACTED]; however, [REDACTED]. The department therefore agreed to restructure [REDACTED] as a consultant position [REDACTED]. While the work performed [REDACTED] does appear to be related to the purpose of the grant, it is clear that this agreement was not reached until significantly after the grant's POP had expired, and the payment therefore appears to be unreasonably allocated to the grant.

As the consultant fees were provided to [REDACTED] who had not previously been paid as a consultant, after the grant period had expired, for work completed almost 6 months prior to the invoice date, the principal investigator (PI)'s decision to retroactively request payment for [REDACTED] as a consultant was unreasonable. In addition to the fact that this represents an unreasonable allocation based on a matter of convenience, the NSF Award and Administration Guide, Chapter V, Section A.2.c. does not allow grantees to expend funding subsequent to the expiration date of the grant except to liquidate valid commitments that were made on or before the expiration date. As the service agreement with [REDACTED] was not signed until after the grant period had expired, the university does not appear to have made a valid commitment to expend these funds before the grant's POP expired, and these expenses would therefore be expressly unallowable.

NSF Award No. 0822189 had a period of performance from September 15, 2008, through December 31, 2012. On January 16, 2013, or 16 days after the grant's POP had expired, the university charged to this grant \$4,999 of consultant expenses for services provided by Rutgers

University. The invoice was dated December 27, 2012, and was purportedly for [REDACTED] project services provided from January 1 through December 15, 2012.

While one of the objectives of this NSF award was to prepare a video for [REDACTED] the budget did not contain any funding for consultant services to be performed at Rutgers. The PI stated that as the research unfolded, they relied on technical assistance from Rutgers to a greater extent than originally anticipated, and he therefore hired Rutgers to perform the invoiced work. While UW-Madison provided an invoice to support the amount of the expense, it did not provide any support to verify that UW-Madison and Rutgers had a service agreement in place for the work that was performed, or provide a description of how the PI determined the amount of the invoice. The PI stated, “The amount paid was the agreed upon amount between the PI and Rutgers to perform this service. The purchase was below \$5,000 and made in accordance with UW-Madison Purchasing Policy and Procedure 3.”

As these consultant fees were provided without an academic support services agreement in place, to a university that had not previously received funding from the NSF grant, the PI’s decision to provide funding to Rutgers appears unreasonable per 2 CFR 220, Appendix A, Section C.4.b. In addition, 2 CFR 215, Subpart C § 215.21 (b)(7) states that a recipient’s financial management system must include accounting records that are supported by source documentation. While UW-Madison was able to provide an invoice, it was unable to provide support for the agreement reached between Rutgers and UW-Madison. The lack of a services agreement, coupled with the fact that the amount of this expense is \$1 below the purchasing threshold that would require additional approval, implies that the amount of the invoice was not calculated based on the work performed, but rather was determined by the university’s purchasing policies.

As a result of the analysis shown above, we are questioning \$35,592 associated with unreasonable consulting fees paid to university service providers at the end of NSF award periods.

| NSF Award No. | Fiscal Year | Questioned Costs | | |
|---------------|-------------|------------------|------------|------------------------|
| | | Direct | Indirect | Total |
| [REDACTED] | 2011-2012 | [REDACTED] | [REDACTED] | [REDACTED] |
| 0822189 | 2012-2013 | [REDACTED] | [REDACTED] | [REDACTED] |
| Total | | [REDACTED] | [REDACTED] | <u>\$35,592</u> |

Recommendations

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

1. Repay NSF the \$35,592 of questioned costs.
2. Strengthen the administrative and management controls and processes over charging consultant expenses to federally sponsored awards. Processes could include:

- a. Implementing new policies and procedures that require a more stringent review of all costs allocated to federally sponsored awards within the final 90 days of the grant's POP.
- b. Ensuring that all payments made to consultants are supported by an academic services support agreement that is signed before the services are provided.

University of Wisconsin at Madison Response: UW-Madison believes that these consulting expenses were reasonable and allocable to these awards. It refers to 2 CFR 215, Section 215.2, which defines obligations as “the amounts of orders placed, contracts and grants awarded, services rendered and similar transactions during a given period that require payment by the recipient during the same or a future period.” UW-Madison contends that the work performed by the consultants created an obligation during the POP that the university was required to liquidate. As UW-Madison was required to pay for such services, which were incurred during the project's POP and related to the project objectives, and did so within the 90 calendar days allowed per 2 CFR 215, the consultant expenses should be allowable.

Auditors' Additional Comments: Our position regarding the finding does not change. As UW-Madison did not enter into agreements to pay these consultants until near or after the grant's expiration date, it does not appear that these expenses represented valid commitments that the university intended to incur until the grant was set to expire. These expenses therefore do not represent reasonable, allowable costs and should not have been allocated to the NSF grant.

Finding 6: Unallowable Relocation Expenses

While NSF policies allow grantees to directly charge relocation expenses to NSF grants, the relocation fees must be charged in accordance with NSF's Award and Administration Guide. Relocation expenses that UW-Madison charged to one NSF grant were not in accordance with the applicable governing cost principles. As a result, UW-Madison inappropriately allocated more than \$20,000 of relocation expenses to an NSF grant during our audit period.

In April 2012, UW-Madison hired a new [REDACTED] to work on NSF Award No. [REDACTED]. [REDACTED] The university agreed to cover the moving expenses that this employee incurred in relocating from [REDACTED] to Madison, Wisconsin. The university reimbursed more than \$20,000 in relocation expenses, including costs to move the employee's personal possessions, as well as all insurance, storage, and delivery expenses associated with the move. As this employee was hired to fulfill a position related to NSF Award [REDACTED] the university allocated all of the reimbursed relocation expenses to this grant.

The NSF Proposal and Award Policies and Procedures Guide, Chapter V, Section C.4 states that relocation costs may be charged to an NSF award in accordance with the applicable governing cost principles, provided that the proposal for NSF support indicates that the grantee intends to hire a specific, named individual to perform full-time work on the project, and that such recruitment action is not disapproved by the grant terms.

While this position was identified in the grant budget, the budget did not specifically indicate that the university intended to hire this individual for work on the project. These expenses were therefore not appropriate per NSF's Award and Administration Guide.

UW-Madison agreed that this individual had not been identified in the NSF award budget, but claimed that, as the individual was not considered key personnel, the university was not required to notify NSF of the individual's recruitment and relocation. UW-Madison also noted that relocation costs are not among the items that require prior approval from NSF per the prior approval cost matrix provided in NSF's Award and Administration Guide. While we agree that relocation costs are not specifically identified in the prior approval cost matrix, we also noted that prior approval requirements are not specifically waived for relocation expenses. As the matrix states that the "listing of Notifications and Requests for Approval is not intended to be all inclusive," grantees should follow the relocation guidance available in Chapter V, Section C.4 of the Award and Administration Guide.

As the relocation fees applied to this NSF grant were not for named individuals identified in the grant proposal, and the university did not obtain specific permission from NSF to allocate relocation expenses for this employee, we determined that the expenses were not reasonably allocated to this NSF award. We are therefore questioning a total of \$30,107 charged to the NSF grant, as follows:

| NSF Award No. | Fiscal Year | Questioned Costs | | |
|---------------|-------------|------------------|----------|----------|
| | | Direct | Indirect | Total |
| | 2011-2012 | | | \$30,107 |

Recommendations

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

1. Repay NSF the \$30,107 of questioned costs.
2. Strengthen the administrative and management controls and processes over allocating relocation expenses to sponsored projects. Processes could include strengthening internal procedures to ensure that NSF awards are not charged for relocation expenses for employees who were not identified as key personnel in the proposals submitted.

University of Wisconsin at Madison Response: UW-Madison believes that these expenses are allowable on this award, as it notified NSF of the change in personnel that resulted in the relocation expenses being allocated to the grant. The university refers to NSF's Policy and Procedure Guide, which does not include direct cost treatment of relocation expenses requiring prior approval and states that costs not specifically budgeted in an NSF award are allowable provided that prior approval is not required and costs are incurred consistently with the institution's applicable cost principles. UW-Madison's cost accounting principles state that costs that can be specifically identified with a particular sponsored agreement are charged directly to the benefitting sponsored agreement, and as the hired individual worked exclusively on the

sponsored project, the charging of these relocation expenses directly to this NSF grant was appropriate.

Auditors' Additional Comments: Our position regarding the finding does not change. The NSF Proposal and Award Policies and Procedures Guide, Chapter V, Section C.4 states that relocation costs may be charged to an NSF grant, provided that the NSF proposal specifically indicates that the grantee intends to hire a named individual for full-time work on the project. As the grant's budget did not identify the relocated individual as essential to the grant and did not include any funding to support relocation costs, and as no documentation was available to support that NSF was informed that the university intended to relocate this employee and charge those expenses to the grant, these expenses were unreasonably allocated to the grant.

Finding 7: Unreasonable Travel Expenses

UW-Madison charged \$7,360 of unreasonable travel expenses to two NSF awards. These expenses were not reasonable or necessary for accomplishing the award objectives and did not benefit the NSF programs to which they were charged. The expenses therefore should not have been charged to the NSF awards.

The NSF Award and Administration Guide, Chapter V, Section A states that grantees should ensure that costs claimed under NSF grants are necessary, reasonable, allocable, and allowable under the applicable cost principles, NSF policy, and/or the program solicitation. Per 2 CFR 220, Appendix A, Section C.3, a cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. In addition, Section C4 of the CFR states that a cost is only allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received or other equitable relationship. While UW-Madison provided documentation to support the travel costs incurred by its employees, the expenses were not supported as allocable, reasonable, or necessary in accordance with these cost principles.

According to UW-Madison, the PI of NSF Award No. [REDACTED] was unable to attend the one-week [REDACTED] Conference held in [REDACTED] in April 2012; [REDACTED] was therefore sent in his place to present a paper entitled [REDACTED] [REDACTED] was reimbursed for expenses amounting to \$3,047, all of which were allocated to this NSF award.

While [REDACTED] was [REDACTED] at the time of the trip, [REDACTED] did not allocate any of their effort to this award, but rather to other sponsored projects that the PI was involved in. [REDACTED] was not identified as a contributor to this project, nor was the paper presented at the conference mentioned in the annual report for this NSF award. These travel reimbursement expenses therefore do not appear to have benefitted NSF Award No. [REDACTED].

The PI of NSF Award No. [REDACTED] attended the annual [REDACTED] meeting in April 2010 and allocated all travel expenses incurred to this NSF award. As a result of our audit, university grant personnel discussed this expense with the PI and determined that it was incorrectly allocated to this grant. The university chose to reimburse NSF and transfer all of the expenses associated with this trip to a general funding source.

As the travel described above did not benefit the NSF grants charged, we determined that these expenses were unreasonably allocated to the identified NSF awards. We are therefore questioning \$7,360 of expenses related to unallocable travel costs, as follows:

| NSF Grant No. | Fiscal Year | Questioned Costs | | |
|---------------|-------------|------------------|------------|-----------------------|
| | | Direct | Indirect | Total |
| [REDACTED] | 2011-2012 | [REDACTED] | [REDACTED] | \$4,433 |
| [REDACTED] | 2009-2010 | [REDACTED] | [REDACTED] | 2,927 |
| Total | | [REDACTED] | [REDACTED] | <u>\$7,360</u> |

Recommendations

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

1. Repay NSF the \$4,433 of questioned costs for NSF Award No. [REDACTED].
2. Provide support verifying that it has repaid the \$2,927 of questioned costs for NSF Award No. [REDACTED].
3. Strengthen the administrative and management controls and processes over allocating travel expenses to federally sponsored awards. Processes could include documenting the purpose of all trips taken by employees who are not identified as key personnel on the sponsored program.

University of Wisconsin at Madison Response: UW-Madison believes that the expenses charged to NSF Award No. [REDACTED] are allowable because the [REDACTED] travel expenses were incurred to present a paper, co-authored by the PI of this award, that resulted from the work performed under this award. The university refers to NSF Award and Administration Guide Chapter VI, Section D.4.b., *Dissemination and Sharing of Research Results*, which states that investigators are expected to share with other researchers the primary data gathered during the course of work under NSF grants. UW-Madison claims that the travel expenses were directly related to the dissemination of research results produced by this award and that the travel expenses should therefore be allowable.

As mentioned previously, UW-Madison determined that the travel expenses charged to NSF Award No. [REDACTED] were not allowable on this project and issued a refund check to NSF on September 8, 2014.

Auditors' Additional Comments: Our position regarding the finding related to NSF Award No. [REDACTED] does not change. As the travel expenses charged to this NSF award were incurred by [REDACTED] who did not allocate any effort to this NSF grant, to present a paper that was not mentioned in the annual report for this award, it appears that this travel was not allocable to this funding source and therefore should not have been charged to this award.

Finding 8: Late Effort Certifications

UW-Madison's Policy on Effort, Commitments, and Effort Certification requires that employees provide effort certifications within 90 days of the date on which the effort statement becomes available. We found that for 26 of our 93 sampled salary transactions, employees had not certified the effort reports within the specified time period, including six instances in which the effort was not certified until after we had requested the effort certification as support for sampled transactions.

Under UW-Madison's effort confirmation system, employees who are committed to work on federally sponsored projects must certify the amount of their total work effort that is applicable to sponsored research. This certification must take place within 90 days of the payroll data being posted in the Electronic Certification and Reporting Tool (ECRT). While each salary transaction that we tested was supported by a signed effort certification, a significant number of these reports were not signed before the ECRT due date. We also noted that the effort reports provided to support six of the sampled transactions were not certified until after February 14, 2014, when we requested the supporting documentation.

UW-Madison personnel stated that federal policies and procedures do not include a requirement for the timeliness of effort certifications, and therefore the aforementioned instances should not be identified as exceptions. However, 2 CFR 220, Appendix A, Section J.10.a states that the payroll distribution system used to allocate salary expenses must be incorporated into the official records of the institution and must reasonably reflect the activity for which the employee is compensated. As UW-Madison's guidelines for effort reporting are incorporated into its official policies, the 90-day effort certification window functions as applicable criteria.

Because many PIs participate on multiple grant awards and are responsible for many employees, the PI's memory of the number and type of activities performed will be less reliable over time. Certifying officials generally rely on these memories when approving reported work activities for themselves and for other individuals who work for them, making it essential that all effort reports are certified on a timely basis.

Certifiers have multiple professional responsibilities according to their appointment at the university, and consequently have myriad professional demands at any given time. As a result, the certifiers completed the effort certifications significantly after the time period when the work was performed. For example, based on the documents we reviewed, UW-Madison personnel only recently certified effort expended on NSF grants more than 3 years ago.

Without procedures in place to ensure that faculty effort is verified on a timely basis, it is possible that inaccurate effort reports will be certified. As a result, labor costs could be

inappropriately allocated and charged to NSF grants. Limiting the window for review and certification of effort reports to the shortest reasonable time period helps ensure a more reliable certification of labor costs associated with activities on federal awards.

Recommendations

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

1. Strengthen the administrative and management controls and processes over allocating salaries to its federal awards. Processes could include disallowing uncertified effort on federally funded awards.

University of Wisconsin at Madison Response: UW-Madison acknowledged that some of its effort certifications were not completed in a timely manner; however, it believes that it has adequate procedures in place to address the completion of effort certifications in a compliant manner. UW-Madison contends that as 2 CFR 220, Appendix A, Section J.10.c.(2) does not require effort certifications to be completed within a specific time period, the audit findings are a result of language included in a UW-Madison guidance document and therefore do not relate to a formal policy. UW-Madison's response highlighted the efforts that it has made to ensure that effort reports are certified in accordance with federal and university policy, including implementing consequences for faculty who fail to certify their effort. Based on its comprehensive guidance regarding effort certifications, UW-Madison requested that these audit findings be removed.

Auditors' Additional Comments: Our position regarding the finding does not change. While UW-Madison's policies do include consequences for personnel who fail to certify their effort in a timely manner, these penalties do not occur until after the 90-day certification window has passed and do not have any effect on the amount of effort that is ultimately allocated to the federal funding source. Based on the number of instances that we identified as non-compliant with UW-Madison's regulations, we recommend that the university strengthen its administrative and management controls regarding the timing of its employees' effort certifications, rather than solely relying on the penalties under its current effort-reporting policies.

COTTON & COMPANY LLP



Partner

APPENDIX A: SCHEDULE OF QUESTIONED COSTS BY FINDING

NATIONAL SCIENCE FOUNDATION
ORDER # D13PD00390
PERFORMANCE AUDIT OF COSTS CLAIMED ON NSF AWARDS
UNIVERSITY OF WISCONSIN AT MADISON

SCHEDULE OF QUESTIONED COSTS BY FINDING

| Finding | Description | Cost Breakdown | | | Total Questioned Costs | |
|--------------|---|----------------|----------------------|----------------|------------------------|---------------------------|
| | | Direct Costs | Fringe Benefit Costs | Indirect Costs | Unsupported | Unallowable |
| 1 | Salary Costs for Senior Personnel That Exceeded NSF's Two-Month Maximum for Salary Allocation | | | | \$0 | \$1,276,668 |
| 2 | Leave Accrual Payouts Unreasonably Allocated to NSF Awards | | | | 0 | 192,707 |
| 3 | Methodology Used to Allocated Equipment Expenses Not Proportionate to the Benefits Received | | | | 0 | 70,189 |
| 4 | Expenses Incurred After the Grant's Period of Performance Had Expired | | | | 0 | 56,965 |
| 5 | Unreasonable Consulting Expenses | | | | 0 | 35,592 |
| 6 | Unallowable Relocation Expenses | | | | 0 | 30,107 |
| 7 | Unnecessary Travel Expenses | | | | 0 | 7,360 |
| Total | | | | | <u>\$0</u> | <u>\$1,669,588</u> |

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**UNIVERSITY OF CALIFORNIA,
SAN DIEGO, DID NOT ALWAYS CLAIM
NONPAYROLL ADMINISTRATIVE AND
CLERICAL COSTS CHARGED DIRECTLY
TO HHS AWARDS IN ACCORDANCE
WITH FEDERAL REGULATIONS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Lori A. Ahlstrand
Regional Inspector General
for Audit Services**

**April 2015
A-09-13-01003**

EXECUTIVE SUMMARY

The University of California, San Diego, did not always claim reimbursement for nonpayroll administrative and clerical costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines. We estimated that the University claimed at least \$202,000 in unallowable costs for a 2-year period.

WHY WE DID THIS REVIEW

The Department of Health and Human Services (HHS) award administration rules require recipients of awards to ensure that costs charged to those awards are allowable under applicable Federal regulations. The University of California, San Diego (the University), received significant funding from HHS awards, including funding from the American Recovery and Reinvestment Act (Recovery Act). In fiscal year 2010, the University received \$485.9 million from HHS awards and \$73.4 million from the Recovery Act. This review of the University's nonpayroll costs is part of a series of Office of Inspector General reviews to determine whether selected colleges and universities claimed administrative and clerical costs in accordance with Federal requirements. We issued a separate report on our review of the University's payroll costs charged directly to HHS awards (report number A-09-12-01001).

Our objective was to determine whether the University claimed reimbursement for nonpayroll administrative and clerical costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines.

BACKGROUND

By accepting HHS awards, the University agreed to comply with regulations governing the use of Federal funds and to ensure that costs charged to those awards were allowable under the cost principles established in 2 CFR part 220, Appendix A. The costs charged to Federal awards must be supported with adequate documentation. In addition, the regulations governing the allowability of direct costs charged to Federal grants, contracts, and other agreements require that, to be allowable, a direct cost must be reasonable, be allocable, be treated consistently, and conform to any limitations or exclusions set forth in the cost principles.

The regulations state that costs incurred for the same purpose in like circumstances are treated consistently as either direct or facilities and administrative (F&A) costs. Direct costs are incurred solely for the performance of a specific project, whereas F&A costs are indirect expenses that are incurred for common or joint objectives of the institution and therefore cannot be readily and specifically identified with a particular project or projects. The regulations also state that administrative and clerical costs should normally be treated as F&A costs.

The University, located in La Jolla, California, is a publicly funded institution of higher education and 1 of the 10 campuses of the University of California system. Nonpayroll administrative and clerical costs are generally recorded in the University's financial system under the account category "Supplies and Expenses."

HOW WE CONDUCTED THIS REVIEW

Our review covered nonpayroll administrative and clerical costs of \$26.9 million claimed by the University from October 1, 2008, through September 30, 2010. We limited our review to nonpayroll administrative and clerical costs charged as direct costs to grants, contracts, and other agreements between the University and components of HHS, including the National Institutes of Health and the Public Health Service. We reviewed a stratified random sample of 142 nonpayroll administrative and clerical transactions.

WHAT WE FOUND

The University did not always claim reimbursement for nonpayroll administrative and clerical costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines. Of the 142 sample transactions, 125 were allowable. However, 17 sample transactions, totaling \$56,375, were not allowable. Specifically, the University claimed (1) costs for temporary employees that were not adequately supported, (2) costs for goods and services that were not allocable to the HHS awards, (3) office supply costs that were improperly charged as direct costs, and (4) excess F&A costs for a capital expenditure misclassified as maintenance and repairs. In addition, the University claimed \$26,210 of unallowable F&A costs related to the unallowable direct nonpayroll costs.

The University claimed unallowable costs because it did not always provide adequate oversight of nonpayroll administrative and clerical costs charged directly by departments to HHS awards to ensure compliance with Federal regulations. On the basis of our sample results, we estimated that the University claimed at least \$202,401 in unallowable costs, consisting of \$148,803 in unallowable nonpayroll costs and \$53,598 in unallowable F&A costs related to the unallowable direct costs and the misclassification of a capital expenditure as maintenance and repairs.

WHAT WE RECOMMEND

We recommend that the University:

- refund \$202,401 to the Federal Government,
- reclassify maintenance and repair costs as a capital expenditure, and
- enhance oversight of nonpayroll administrative and clerical costs charged directly to HHS awards to ensure compliance with Federal regulations.

UNIVERSITY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the University concurred with our second and third recommendations and provided information on actions that it had taken or planned to take to address our recommendations. Regarding our first recommendation, the University concurred with our disallowances of eight sample transactions totaling \$27,519 and provided information on actions that it had taken or planned to take to refund the amounts associated with the sample

transactions and the related F&A costs. However, the University did not explicitly address our estimated total refund amount.

Regarding our finding that the costs claimed for temporary employees were not adequately supported, the University did not concur with our disallowances of 10 sample transactions and provided additional explanation and documentation. After reviewing supplemental information and documentation provided by the University, we allowed one of these transactions, which reduced the total number of unallowable nonpayroll transactions from 18 to 17. Accordingly, we reduced our estimate of unallowable costs to \$202,401. However, the additional information provided by the University for the remaining unallowable transactions did not constitute sufficient documentation for us to conclude that the questioned costs were allowable.

INTRODUCTION

WHY WE DID THIS REVIEW

The Department of Health and Human Services (HHS) award administration rules require recipients of awards to ensure that costs charged to those awards are allowable under applicable Federal regulations.¹ The University of California, San Diego (the University), received significant funding from HHS awards, including funding from the American Recovery and Reinvestment Act (Recovery Act). In fiscal year 2010, the University received \$485.9 million from HHS awards and \$73.4 million from the Recovery Act. This review of the University's nonpayroll costs is part of a series of Office of Inspector General (OIG) reviews to determine whether selected colleges and universities claimed administrative and clerical costs in accordance with Federal requirements. We issued a separate report on our review of the University's payroll costs charged directly to HHS awards.² (See Appendix A for a list of related OIG reports.)

OBJECTIVE

Our objective was to determine whether the University claimed reimbursement for nonpayroll administrative and clerical costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines.

BACKGROUND

Federal Regulations for Determining Allowability of Costs

By accepting HHS awards, the University agreed to comply with regulations governing the use of Federal funds and to ensure that costs charged to those awards were allowable under the cost principles established in the Office of Management and Budget (OMB) Circular No. A-21 (2 CFR part 220, App. A).³ The costs charged to Federal awards must be supported with adequate documentation. In addition, the regulations governing the allowability of direct costs charged to Federal grants, contracts, and other agreements require that, to be allowable, a direct cost must be reasonable, be allocable, be treated consistently, and conform to any limitations or exclusions set forth in the cost principles.

¹ HHS administrative rules are incorporated in 45 CFR part 74, *Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations*, and provide that the allowability of costs incurred by institutions of higher education is determined in accordance with the provisions of 2 CFR part 220.

² *The University of California, San Diego, Generally Claimed Administrative and Clerical Payroll Costs Charged Directly to HHS Awards in Accordance With Federal Regulations* (A-09-12-01001), issued June 26, 2014.

³ The circular was relocated to 2 CFR part 220. Effective December 26, 2013, the cost principles in 2 CFR part 220 were superseded by 2 CFR part 200, subpart E. The cost principles in subpart E apply to new awards and to additional funding (funding increments) for existing awards made after December 26, 2014. Therefore, 2 CFR part 200 was not applicable to our review.

Consistent treatment of costs means that costs incurred for the same purpose, in like circumstances, must be treated uniformly either as direct costs or facilities and administrative (F&A) costs.⁴ Examples of direct costs include laboratory supplies, computer costs, travel costs, and specialized shop costs. Items such as office supplies, postage, local telephone costs, and memberships must normally be treated as F&A costs.⁵ The applicable portion of the F&A costs should be recovered through the F&A rates negotiated with the Federal Government.

University of California, San Diego

The University, located in La Jolla, California, is a publicly funded institution of higher education and 1 of the 10 campuses of the University of California system. Nonpayroll administrative and clerical costs are generally recorded in the University's financial system under the account category "Supplies and Expenses."⁶ From October 1, 2008, through September 30, 2010, the University claimed costs for "Supplies and Expenses" totaling approximately \$225 million.

University Award Administration

The University's Office of Contract and Grant Administration is responsible for issues and inquiries related to proposal development and preaward activities. The Office of Post Award Financial Services is responsible for project accounting, financial reporting, and effort certifications. This office certifies to funding agencies that award expenditures comply with award financial terms and conditions, including 2 CFR part 220, as well as University policies.

Principal investigators (PIs)⁷ and University departments are responsible for ensuring that all direct costs proposed and incurred meet the Federal and University requirements for proposing and charging of direct costs.

HOW WE CONDUCTED THIS REVIEW

Our review covered nonpayroll administrative and clerical costs of \$26,945,750 claimed by the University from October 1, 2008, through September 30, 2010. We limited our review to

⁴ Direct costs are "those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity ..." (2 CFR part 220, App. A, § D.1). F&A costs are "those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity" (2 CFR part 220, App. A, § E.1).

⁵ Educational institutions are reimbursed for F&A costs through a rate or rates negotiated with the Federal Government. The F&A rates are made up of two components: a facilities component and an administrative component. The administrative component is limited to 26 percent of modified total direct costs.

⁶ This category contains expenditure codes for items such as office supplies, communications, computer supplies, parking, maintenance and repairs, contractors and consultants, project-specific rental space, human subjects, and animal care costs.

⁷ The PI is the individual who has the appropriate level of authority and responsibility to direct the project or program supported by the award. The PI is accountable to the awarding agency for the proper conduct of the project or program, including the submission of all required reports.

nonpayroll administrative and clerical costs charged as direct costs to grants, contracts, and other agreements between the University and components of HHS, including the National Institutes of Health (NIH) and Public Health Service. To determine the allowability of these costs, we reviewed a stratified random sample of 142 nonpayroll administrative and clerical transactions totaling \$580,278. A small number of the sample transactions were charged to Recovery Act awards.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B contains the details of our audit scope and methodology, Appendix C contains the details of our statistical sampling methodology, and Appendix D contains our sample results and estimates.

FINDINGS

The University did not always claim reimbursement for nonpayroll administrative and clerical costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines. Of the 142 sample transactions, 125 were allowable. However, 17 sample transactions, totaling \$56,375, were not allowable. Specifically, the University claimed (1) costs for temporary employees that were not adequately supported, (2) costs for goods and services that were not allocable to the HHS awards, (3) office supply costs that were improperly charged as direct costs, and (4) excess F&A costs for a capital expenditure misclassified as maintenance and repairs. In addition, the University claimed \$26,210 of unallowable F&A costs related to the unallowable direct nonpayroll costs.

The University claimed unallowable costs because it did not always provide adequate oversight of nonpayroll administrative and clerical costs charged directly by departments to HHS awards to ensure compliance with Federal regulations. On the basis of our sample results, we estimated that the University claimed at least \$202,401 in unallowable costs, consisting of \$148,803 in unallowable nonpayroll costs and \$53,598 in unallowable F&A costs related to the unallowable direct costs and the misclassification of a capital expenditure as maintenance and repairs.

THE UNIVERSITY CLAIMED UNALLOWABLE NONPAYROLL ADMINISTRATIVE AND CLERICAL COSTS

Costs for Temporary Employees Were Not Adequately Supported

Federal award recipients' accounting practices must provide for adequate documentation to support costs charged (2 CFR part 220, App. A, § A.1.e). The University of California's Business and Finance Bulletin A-47, section VI, and the University's Cost Accounting Standards Board Disclosure Statement (Disclosure Statement), Item No. 3.2.0, specify that the cost of services provided by a Service Enterprise/Center (recharge center) are charged directly to

applicable awards according to actual usage of the services on the basis of a schedule of rates or established methodology.⁸ The University's Policy and Procedure Manual 300-40 (the Manual) provides that a recharge center is a department or unit within an organization that provides goods or services to other departments or units within the organization; the costs charged directly to awards are called recharge costs. The Manual states that a recharge center is required to maintain records that substantiate the recharges and that the recharges are initiated when goods or services are provided.

For nine sample transactions, totaling \$14,939, the University charged to HHS awards Temporary Employment Services (TES) costs that were not adequately supported.⁹ The temporary employees' timesheets did not support the TES billing hours used to calculate the recharge costs. The following are examples:

- Timesheets recorded only the total hours worked, not the hours worked on each project. The University allocated the recharge costs to different projects using a predetermined allocation percentage based on budget. For example, a temporary service employee worked on multiple projects in which each project had a budgeted allocation percentage preprinted on the timesheet.
- A timesheet was not signed by the supervisor or other responsible official having first-hand knowledge of the actual hours worked on the project.

Costs for Goods and Services Were Not Allocable to HHS Awards

A cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement or it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods (2 CFR part 220, App. A, § C.4.a).

For five sample transactions, totaling \$5,527, the University charged costs for goods or services that were not allocable to the HHS awards:

- Two transactions were for publication costs for research that was conducted under other HHS-sponsored research that was also supported by another Federal agency.
- One transaction was for the reimbursement of an employee's purchase of a personal computer near the end of the HHS budget period for the training grant. The employee did not continue to work on the training grant after the end of the budget period.

⁸ The University's March 9, 2007, Disclosure Statement (which was submitted to the HHS Division of Cost Allocation), Item No. 3.2.0, identifies the various methodologies that the University uses for its recharge centers. The methodology applicable to our audit provides that all of the billings (i.e., recharges) are direct charges only, that the billing rate is based on historical and projected costs, and that the same billing rate is applied to all users.

⁹ TES, a recharge center, is the division of Human Resources at the University responsible for providing temporary staffing to departments.

- One transaction was for parking costs of guests who attended a Defense Advanced Research Projects Agency workshop.
- One transaction was determined by the University to be fraudulent.¹⁰

Office Supply Costs Were Improperly Charged as Direct Costs

Office supplies “shall normally be treated as F&A costs” (2 CFR part 220, App. A, § F.6.b(3)). In addition, the University guidance on charging nonpayroll direct vs. indirect costs states that general office supplies, including computer supplies (such as toner), are F&A costs.

For two sample transactions, totaling \$120, the University charged directly to the HHS awards the cost of office supplies that should have been treated as F&A costs. These supplies included copy paper, toner, and printer cartridges.

A Capital Expenditure for Equipment Was Misclassified as Maintenance and Repairs

A capital expenditure includes an expenditure for the acquisition cost of capital assets, such as equipment (2 CFR part 220, App. A, § J.18.a(1)). The acquisition cost for equipment includes the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is required (2 CFR part 220, App. A, § J.18.a(1)). In addition, the University of California’s Accounting Manual policy entitled *Capitalization of Property Plant and Equipment* states that the costs associated with the initial acquisition, preparation, and placement of the asset for use should be capitalized.

For one sample transaction, the University claimed excess F&A costs totaling \$19,505 because it misclassified a capital expenditure for equipment as a maintenance and repair cost. The University had charged to an HHS award \$35,789 for a maintenance and repair cost related to factory and site acceptance testing of special purpose equipment. This testing was for the preparation of the equipment for use; the cost was not incurred for the necessary maintenance and repair of the equipment. Because the cost was classified as maintenance and repairs instead of as a capitalized expenditure, the University claimed excess F&A costs of \$19,505.¹¹

Related Facilities and Administrative Costs Were Unallowable

For the 17 unallowable sample transactions, the University claimed \$26,210 of unallowable F&A costs related to the unallowable direct nonpayroll costs of \$56,375. To determine the amount of unallowable F&A costs claimed, we applied the University’s applicable F&A cost rate to the nonpayroll transaction amounts determined to be in error.

¹⁰ The University’s investigation disclosed that the PI’s University-issued credit card had been compromised by an unknown individual and determined the transaction for \$133 to be fraudulent. The credit card was canceled, and the University made an adjustment for the improper transaction during our fieldwork.

¹¹ The University’s negotiated F&A agreement states that equipment is to be excluded from the modified total direct costs for calculating the reimbursable amount of F&A costs.

THE UNIVERSITY DID NOT ALWAYS PROVIDE ADEQUATE OVERSIGHT

The University claimed unallowable costs because it did not always provide adequate oversight of nonpayroll administrative and clerical costs charged directly to HHS awards to ensure compliance with Federal regulations. The University largely leaves it to the discretion of its individual departments and PIs to ensure that the costs charged comply with those regulations. Without adequate oversight, the University cannot ensure that nonpayroll costs directly charged to HHS awards comply with Federal regulations and applicable guidelines.

ESTIMATE OF UNALLOWABLE COSTS

On the basis of our sample results, we estimated that the University claimed at least \$202,401 in unallowable costs, consisting of \$148,803 in unallowable nonpayroll costs and \$53,598 in unallowable F&A costs related to unallowable direct costs and misclassification of a capital expenditure as maintenance and repairs.

RECOMMENDATIONS

We recommend that the University:

- refund \$202,401 to the Federal Government,
- reclassify maintenance and repair costs as a capital expenditure, and
- enhance oversight of nonpayroll administrative and clerical costs charged directly to HHS awards to ensure compliance with Federal regulations.

UNIVERSITY COMMENTS

In written comments on our draft report, the University concurred with our second and third recommendations and provided information on actions that it had taken or planned to take to address our recommendations. The University stated that it recognized that the audit process had been very valuable in highlighting areas where oversight could be improved.

Regarding our first recommendation, the University concurred with our disallowances of eight sample transactions totaling \$27,519 and provided information on actions that it had taken or planned to take to refund the amounts associated with the sample transactions and the related F&A costs. However, the University did not explicitly address our estimated total refund amount.

Regarding our finding that the costs claimed for temporary employees were not adequately supported, the University did not concur with disallowances of 10 sample transactions:

- For one transaction in which the total hours reported on one timesheet were less than the hours used for recharging the costs of temporary employee services, the University stated that it appeared that the hours on the employee timesheet were calculated incorrectly in

the “Total” column. It stated that the actual calculation of the hours worked as reported each day equated to the number of hours on the invoice.

- For one transaction in which the timesheet of a temporary employee was unsigned, the University agreed that the timesheet was not signed by an authorized signer but stated that the effort expended was directly related to the Federal award. The University also stated that the Department had provided retroactive confirmation from the employee’s supervisor via a department certification.
- For eight transactions in which the recharge costs allocated to different projects used a predetermined allocation percentage based on budget and were not adequately supported, the University stated that these charges did not represent true recharges as indicated in OMB Circular No. A-21 (2 CFR part 220, App. A, § J.47.b).

The University acknowledged that the format of the timesheets used by temporary employees during this period did not allow for the entry of hours per project but stated that the allocation percentages initially budgeted were appropriate to the Federal awards and supported by the PI or supervisor’s first-hand knowledge of the temporary employees’ activity. The University stated that it had communicated to the OIG auditors that departments were well aware of procedures to change budgeted allocations, when necessary. The University also stated that when the supervisor signs a timesheet, the supervisor has the opportunity to review and revise the funding sources as needed.

The University attached supplemental information and documentation to its written comments to confirm its review of charges for temporary employees. Although the University strongly disagreed with our determination that these charges were unallowable, it stated that it recognized improvements could be made to the process for documenting temporary employees’ time charged to Federal awards contemporaneously. The University requested that we maintain confidentiality of the attachments because they related to individual sample items and employee data. The University’s comments, excluding the attachments, are included as Appendix E.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the supplemental information and documentation provided by the University for the 10 sample transactions, we allowed one of these transactions, which reduced the total number of unallowable nonpayroll transactions from 18 to 17. Accordingly, we reduced our estimated unallowable costs to \$202,401. We agree that, for the one sample transaction, the actual hours worked as recorded on a daily basis to the timesheet reconciled to the hours used for recharging the costs to the award. However, additional information provided by the University for the remaining unallowable transactions, either with its written comments or during our fieldwork, did not constitute sufficient documentation for us to conclude that the questioned costs were allowable. (Some of the documentation included retroactive certifications signed more than 3 years after the pay period). We removed the reference to 2 CFR part 220, App. A, § J.47.b, from our report and provided information on recharge centers from the University of California’s Business and Finance Bulletin A-47 and the University’s Manual and Disclosure Statement.

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**UNIVERSITY OF CALIFORNIA,
SAN DIEGO, GENERALLY CLAIMED
ADMINISTRATIVE AND CLERICAL
PAYROLL COSTS CHARGED
DIRECTLY TO HHS AWARDS
IN ACCORDANCE WITH
FEDERAL REGULATIONS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Lori A. Ahlstrand
Regional Inspector General
for Audit Services**

**June 2014
A-09-12-01001**

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <https://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

For a 2-year period, the University of California, San Diego, generally claimed administrative and clerical payroll costs charged directly to HHS awards in accordance with Federal regulations. However, a small amount of costs was unallowable.

WHY WE DID THIS REVIEW

The Department of Health and Human Services (HHS) award administration rules require recipients of awards to ensure that costs charged to those awards are allowable under applicable Federal regulations. The University of California, San Diego (the University), received significant funding from HHS awards, including funding from the American Recovery and Reinvestment Act (Recovery Act). In fiscal year 2010, the University received \$485.9 million from HHS awards and \$73.4 million from the Recovery Act. This review was performed as part of a series of Office of Inspector General reviews conducted at colleges and universities to determine whether administrative and clerical costs were claimed in accordance with Federal requirements.

Our objective was to determine whether the University claimed reimbursement for administrative and clerical payroll costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines.

BACKGROUND

By accepting HHS awards, the University agreed to comply with regulations governing the use of Federal funds and to ensure that costs charged to those awards were allowable under the cost principles established in 2 CFR part 220, Appendix A. The regulations governing the allowability of direct costs charged to Federal grants, contracts, and other agreements require that, to be allowable, a direct cost must be reasonable, be allocable, be treated consistently, and conform to any limitations or exclusions set forth in the cost principles.

The regulations state that payroll costs of administrative and clerical staff should normally be treated as facilities and administrative (F&A) costs. However, direct charging of these costs may be appropriate for a major project that explicitly budgets for administrative or clerical services and in which the individuals involved can be specifically identified with the project.

The University, located in La Jolla, California, is a publicly funded institution of higher education and 1 of the 10 campuses of the University of California system. At the University, administrative and clerical services are generally provided by regular and general assistance employees.

HOW WE CONDUCTED THIS REVIEW

Our review covered payroll costs of \$119.9 million claimed by the University from October 1, 2008, through September 30, 2010, for regular and general assistance employees.

We limited our review to administrative and clerical payroll costs charged as direct costs to grants, contracts, and other agreements between the University and components of HHS, including the National Institutes of Health and the Public Health Service. We reviewed a stratified random sample of 200 monthly payroll payment records.

WHAT WE FOUND

The University generally claimed reimbursement for administrative and clerical payroll costs charged directly to HHS awards in accordance with Federal regulations and applicable guidelines. Of the 200 sampled monthly payroll payment records, 195 were allowable, and 5 were unallowable. The five unallowable sample items totaled \$3,765, consisting of \$2,510 of unallowable direct administrative and clerical payroll costs and \$1,255 of related F&A costs. The University claimed unallowable costs because it did not always provide adequate oversight of administrative and clerical payroll costs charged directly by departments to HHS awards to ensure compliance with Federal regulations.

WHAT WE RECOMMEND

We recommend that the University:

- refund \$3,765 to the Federal Government and
- enhance oversight of administrative and clerical payroll costs charged directly to HHS awards to ensure compliance with Federal regulations.

UNIVERSITY COMMENTS AND OUR RESPONSE

In written comments on our draft report, the University concurred that four of the five sampled monthly payroll payment records were unallowable. The University agreed to refund \$1,766 to the Federal Government for two of the sample items and stated that it had made corrections to the HHS awards for the remaining two sample items. However, the University did not concur with our disallowance for one sample item and maintained that the payroll costs for the individual were appropriately charged directly to the HHS award. Regarding our second recommendation, the University stated that it had communicated our findings to the appropriate University officials and would continue to provide education and guidance on appropriate charging of administrative and clerical costs. However, the University stated that because of the small number and dollar value of the errors, it did not believe a change in business practices for charging or supporting effort on sponsored awards was warranted.

After reviewing the University's comments, we concluded that the University did not provide adequate documentation to substantiate that the administrative costs charged directly to the HHS award were allowable. We continue to recommend that the University refund to the Federal Government the unallowable cost for this sample item. In addition, we continue to recommend that the University enhance its oversight of administrative and clerical payroll costs charged directly to HHS awards to ensure compliance with Federal regulations.



THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* NEW YORK

[U.S. Attorneys](#) » [Southern District of New York](#) » [News](#) » [Press Releases](#)

Department of Justice

U.S. Attorney's Office

Southern District of New York

FOR IMMEDIATE RELEASE

Tuesday, October 28, 2014

Manhattan U.S. Attorney Settles Civil Fraud Claims Against Columbia University And Affiliated Public Health Program For Submitting False Claims In Connection With Aids And Hiv Treatment-Related Grants

Columbia Admits And Acknowledges Submitting Inaccurate Cost Reports And Mischarging Federal Grants, And Agrees To Pay \$9 Million To U.S.

Preet Bharara, the United States Attorney for the Southern District of New York, and Thomas O'Donnell, Special Agent in Charge of the New York Region of the Office of Inspector General (OIG) for the U.S. Department of Health and Human Services (HHS), announced today that the United States filed a civil fraud lawsuit in Manhattan federal court against THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK ("Columbia University"), and ICAP (formerly known as INTERNATIONAL CENTER FOR AIDS CARE AND TREATMENT PROGRAMS) (collectively, "Columbia") for submitting false claims in connection with federal grants that Columbia University obtained to fund ICAP's AIDS- and HIV-related work. The United States' Complaint-in-Intervention (the "Complaint") alleges that Columbia University, as the grant administrator on behalf of ICAP, received millions of dollars in federal grants and, pursuant to the rules applicable to such grants, was required for nearly 200 of ICAP's employees located in New York City to use a suitable means of verifying that the employees had actually performed the work charged to a particular grant. The Complaint alleges that Columbia was well aware that this was not being done, yet continued wrongly to charge many federal grants for work that was not devoted to the projects they funded. The lawsuit seeks damages and penalties under the False Claims Act.

Simultaneous with the filing of the lawsuit, the United States settled the claims against Columbia pursuant to a settlement stipulation approved today by U.S. District Judge Lorna G. Schofield. In the settlement and as detailed below, Columbia admitted failing to use a suitable means of verifying whether the salary and wage charges that ICAP applied to specific federal grants were based on an employee's actual effort for that grant. Columbia also admitted that as a result, certain effort reports contained inaccurate information, and for a number of years ICAP mischarged certain federal grants for work that was not allocable to those agreements. Columbia

also agreed to pay \$9,020,073 to resolve the Government's claims.

Manhattan U.S. Attorney Preet Bharara said: "Columbia University and ICAP applied to the federal government and received many millions of dollars to fund AIDS and HIV projects around the world. We admire and applaud Columbia's work in combatting AIDS and HIV. But grantees cannot disregard the terms under which grant money is provided. Grantees are required to use federal money for the purpose for which the grant was given and nothing else. The applicable rules are clear, and they are at the core of ensuring that tax dollars are appropriately spent. Educational institutions, like everyone else, should be held accountable when they fail to follow those rules."

OIG HHS Special Agent in Charge Thomas O'Donnell said: "Violating rules designed to protect HIV-AIDS grant programs leads to wasteful spending, squandering vital funds that could be used to help end this worldwide epidemic. As HHS is the largest grant-making organization in the Federal government, OIG HHS is committed to protecting these grants and will work tirelessly to ensure all money is used properly."

As set forth in the Complaint filed in Manhattan federal court:

In 2004, President Bush created the President's Emergency Plan for AIDS Relief ("PEPFAR program"), a global HIV/AIDS program, targeting billions of dollars in new funding for prevention, treatment, and care services in the most affected countries of the world. That same year, Columbia received \$125 million in PEPFAR funding through the Multi-Country Columbia Antiretroviral Program ("MCAP") grant, and over the years obtained over 75 grants and many millions more from the federal government for HIV- and AIDS-related work performed by ICAP.

These grants are governed by certain rules that require, among other things, that grantees track the work performed by the recipient's employees and, with limited exceptions, charge grants only for work actually performed as a part of that grant. Columbia claimed to accomplish this by producing effort reports for ICAP's New York City-based employees purportedly detailing the employees' distribution of work across federal, state, and private grants, as well as Columbia-sponsored projects. These reports were used to determine how much a given grant was charged for work performed by individual employees.

For nearly 200 individuals, however, these reports were not created or verified by the individuals to whom they applied. Instead, Columbia's Finance Department provided information for these reports even though the employees of that department had limited or no knowledge of which grants the individuals actually worked on. In addition, the effort reports were certified as correct by the principal investigators on the grants without using suitable means to verify the accuracy of the reports. Instead of taking the appropriate steps to determine whether the reports were accurate, the principal investigators would certify large batches of the reports, without making any inquiry into whether the allocation of work among the grants was accurate. Moreover, ICAP's management was well aware of the inaccuracies of the effort reporting system.

This resulted in Columbia charging grants for work that was not performed on the project being funded by that grant. For instance, an ICAP Finance Analyst stated that he spent approximately 15-20% of his time on MCAP in fiscal year 2010, but his effort report falsely listed his MCAP effort, and related salary charges, as 85%. Likewise, in fiscal year 2010, an ICAP Subcontracts Manager's effort report listed her effort as 100% MCAP, but the Subcontracts Manager actually worked on three other grants, in addition to MCAP, that year. The time submitted for many other employees was similarly mischarged.

ICAP also charged federal grants for time spent on activities that are not chargeable to any federal grants, such as competitive grant proposal writing. For example, an ICAP Grants Manager spent a significant amount of her time writing competitive grant proposals, but her effort report showed that all of her time was charged to grants, with as much as 92% of her time charged to MCAP in some years.

Mr. Bharara thanked the Office of Inspector General for HHS for its investigative efforts and extensive assistance with the case.

The case is being handled by the Office's Civil Frauds Unit. Assistant U.S. Attorney Rebecca C. Martin is in charge of the case.

US ex rel. v. Columbia U. and ICAP complaint-in-intervention

US ex rel. v. Columbia U. and ICAP stipulation and order

14-313

USAO - New York, Southern District

Updated May 15, 2015

SUB- MONITORING SECTION

**University of Maryland College Park
SUBRECIPIENT PROFILE**

Legal Name: _____

Mailing Address: _____

City _____ **State or Country** _____ **Zip Code + 4** _____

EIN _____ **DUNS Number:** _____ *(Required)*

(Federal reporting requirements mandate that all Subrecipients have a DUNS number. To obtain a DUNS number, proceed to: <https://iupdate.dnb.com/iUpdate/companylookup.htm>)

Registered in SAM.gov? ☐ Yes ☐ No If "yes", have you granted "public" access? ☐ Yes ☐ No
*(The Federal government requires that all Subrecipients receiving Federal funds **must be** registered in SAM.gov and grant public access. To register in SAM.gov, proceed to www.sam.gov).*

Electronic Funds Transfer Application sent to MD State Comptroller? ☐ Yes ☐ No
http://comptroller.marylandtaxes.com/Vendor_Services/Accounting_Information/Electronic_Funds_Transfer/

Choose One: ☐ U.S. entity located in U.S. Congressional District No. _____) / OR ☐ Foreign Entity

Choose One: ☐ *Commercial Business (see below) / OR ☐ Non-profit Organization

***Business Type:** _____

**(Example: Large business, Small business, Small disadvantaged business, Women-owned, Individual, Veteran-owned, Historically Underutilized Business Zone, Historically Black College/University, Minority owned, or Tribal, Government entity as defined in attached Vendor Registration Form.)*

Organization Inception Date: _____ **Fiscal Year from:** _____ **to** _____

1. Have you previously received federal funding as either a Prime Awardee or Subawardee?
☐ Yes ☐ No
If "yes", from what federal agency(ies) in the past 3 years? _____
2. Do you have a designated Federal cognizant audit agency? ☐ Yes ☐ No
If "yes", please provide the name of your assigned Federal audit agency: _____
3. Do you have a federally negotiated Facilities and Administrative (F&A) rate? ☐ Yes ☐ No
 - a. If "yes", please attach a copy of current rate agreement.
 - b. If "no", please attach an explanation of how the proposed rate (i.e., breakdown of rate components) was determined.
 - c. If your rate agreement is considered "proprietary", do you certify that rates applied during the life of this agreement will not exceed your approved rate? ☐ Yes ☐ No
4. Are you required to comply with OMB Circular A133? ☐ Yes ☐ No

- a. If “yes”, please provide the website link to view your most recent Audit Report _____; or, provide a copy of the Audit Report. Proceed to bottom of form, sign where indicated, and return this form to ldavis3@umd.edu.
- b. If “no”, answer Questions 5 – 12 below, sign where indicated, and return this form to ldavis3@umd.edu.
5. Are financial statements audited annually by an independent audit firm? ☐ Yes ☐ No
If “yes”, please send a copy of most recent Auditor’s Report including any reported findings.
6. Do you adhere to CASB (Cost Accounting Standards Board) FAR Part 31 regulations [<http://farsite.hill.af.mil/vffara.htm>] under the proposed Subaward? ☐ Yes ☐ No
7. Do you have a financial management system that can separately identify the source and application of funds for Subaward supported activities? ☐ Yes ☐ No
8. Do you have a financial management system that provides for the control and accountability of project funds, property, and other assets? ☐ Yes ☐ No
9. Is there a formal, written personnel policy that addresses the following?
- | | | |
|------------------------------|-----------------------------|------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | Pay Rates and Benefits |
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | Time and Attendance |
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | Leave |
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | Discrimination |
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | Conflict of Interest |

Attach a description of the method used to determine labor and benefits rates.

10. Is there a formal written travel policy?
☐ Yes ☐ No
11. Do you have formal written purchasing/procurement policies and procedures?
☐ Yes ☐ No
12. Do you maintain an inventory of Government Property that identifies purchase date, cost, vendor, description, serial number, location and ultimate disposition of property?
☐ Yes ☐ No

I hereby certify that the information provided is true and accurate to the best of my ability.

Authorized Signature_____

Name_____

Title_____

Date_____



SUBRECIPIENT PROFILE FORM

The following information is required as part of the University of Maryland College Park policies and procedures related to Subaward monitoring and administration in accordance with U.S. Federal government requirements.

INSTITUTION/ORGANIZATION DETAILS:

Legal Entity Name: _____

Postal Address: _____

City: _____ State/Province: _____

Country: _____ Post Code: _____

Website/URL: _____

Institution/Organization Origin Date: _____

Institution/Organization Fiscal Year period: Begins: _____ Ends: _____

DUNS Number: _____

The Dun & Bradstreet Number is a unique nine-digit identification number required to receive funding from the U.S. Federal Government under federal contracts, grants, or cooperative agreements. For more information and/or to apply for a DUNS number [click here](#).

PAYMENT ADDRESS:

☐ Check here if the Postal Address for payments to your institution/organization is the same as shown above. ****Please provide contact information below.**

☐ Check here if payments are to be made to a different Postal Address. Provide the remittance address in the spaces below:

Postal Address: _____

****Contact Person for Payment Questions:**

Phone No. (from outside country): _____

Email: _____

Fax Number: _____

Is your Institution registered in the U.S. System for Award Management (SAM.gov)?

Due to U.S. Federal reporting requirements, UMD requires that all Subrecipients be registered in SAM.gov

- ☐ Yes *If Yes, you are required to grant “public” access to allow confirmation of the information provided.*
☐ No *If No, [click here](#) to register in Sam.gov.*

Institutional Funding Details

1. Has your institution/organization previously received U.S. Federal funding as either a Prime Awardee or a Subawardee? ☐ **Yes** ☐ **No**
If Yes, from which of the following U.S. Federal agency/agencies in the past 3 years?
☐ NIH ☐ Dept of Defense ☐ NASA ☐ USAID
☐ NSF ☐ USDA ☐ NOAA ☐ (Other) _____
2. Does your institution have a U.S. federally negotiated Facilities and Administrative (F&A) or Indirect Cost rate?
☐ **Yes** ☐ **No** *If yes, please attach federal rate agreement with this form.*
3. During the previous Fiscal Year period, what total amount (in U.S. dollars) did your institution/organization expend under all awarded U.S. federal contracts or grants?
☐ \$0-\$250,000 ☐ \$500,000 - \$750,000
☐ \$250,000 - \$500,000 ☐ >\$750,000
4. Are your institution’s financial statements audited annually by an independent audit firm?
☐ **Yes** ☐ **No**
If Yes, please send a copy of most recent Auditor’s Report (in English) including any reported findings.
If No, please provide your organization’s most recent financial statement.
5. Does your organization/institution have a financial management system that provides for separate control and accountability of all project expenses, property, and other assets for Subaward supported activities and provide a separate accounting of project funds?
☐ **Yes** ☐ **No**
6. Does your institution have formal written policies that address the following:
- | | | |
|-------------------------|-------------------------------------|------------------------------------|
| Pay Rates and Benefits | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Time and Attendance | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Leave | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Discrimination | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Conflict of Interest | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Travel | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Purchasing/Procurement | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| Property/Asset Registry | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

I hereby certify that I am the Authorized Representative from the Grants Management Office, or equivalent financial officer of this institution/organization able to confirm that the information provided is true and accurate.

Authorized Signature: _____

Name: _____

Title: _____ **Email:** _____

Date: _____ Upon completion, please return the form to oraacompliance@umd.edu

Subrecipient Risk Analysis - High/Low Risk Entities

Subrecipient Name: _____

Sponsor _____

EIN: _____

DUNS: _____

Date: _____

Risk Level Assigned: _____

Suspended/Debarred List _____

Yes/No (initials/date checked)

Is A-133 Required? Yes No

Attachment B

Assign an assessment rating (0, 1 or 2) for each Criteria listed below.

| Criteria | Lower Risk | Higher Risk | Weight | Assessment 0 = low 1 = med 2 = high | Weighted Score |
|--|------------------------------|---|--------|--|----------------|
| Foreign or Domestic | Domestic | Foreign | 4 | | 0 |
| Maturity of Subrecipient's Organization | Mature | Start-up | 4 | | 0 |
| Organization Type | University or non-profit | Industry | 4 | | 0 |
| Audit Report | A-133 | No Audit Report | 4 | | 0 |
| Accounting Systems Established | Yes | No | 4 | | 0 |
| Prime Award Type | Grant/Cooperative Agreement | Contract | 3 | | 0 |
| Amount of Subaward | Total cost is ≤ \$499,999 | Total Cost is ≥ \$500,000 | 3 | | 0 |
| Percentage of UMD Award Subawarded | Total cost is ≤ 49% | Total Cost is ≥ 50% | 3 | | 0 |
| Federally Approved Procurement Systems | approved | Not approved / ad hoc | 3 | | 0 |
| Federally Approved Indirect Cost Rate Agreement | Yes | No | 2 | | 0 |
| Prior experience working with College Park? | Previous positive experience | New Subrecipient, or previous negative experience | 2 | | 0 |
| UMD Sponsor Type | Private or Foundation | Government | 2 | | 0 |
| Special Considerations: up to an additional 8 points; e.g. high \$ | | | | | |

Low = 0 - 34 High = 60 - 74 Bumped to Next Level? Y N

Medium = 35 - 59 Nuclear = 75+ (circle one)

Total Risk Score: 0.0

| | |
|---------------------|--|
| Documents Reviewed: | |
| Comments | |
| Resolution | |



National Science Foundation
WHERE DISCOVERIES BEGIN



Cost Analysis and Audit Resolution Branch (CAAR)

Subawards and Subrecipient Monitoring

The objectives of many NSF-funded awards are achieved, in part, through subawards issued to other organizations. Subaward relationships require the prime awardee to complete additional monitoring activities of subrecipients to ensure effective stewardship of federal funds. A subrecipient has programmatic decision-making responsibilities for performance in carrying out a portion of the research or project (e.g., conducting testing and evaluation of chemical compounds or materials). The specific steps taken to monitor subawards depends on the type of subaward and subrecipient, the amount or complexity of the subaward, and other factors.

Prime Awardee Responsibilities:

- **Pre-award** – verify that the subrecipient: 1) is able to perform subaward-related technical and administrative tasks satisfactorily, 2) has an adequate accounting system with a project cost accounting system, 3) has the financial capability to implement and administer the subaward, 4) has budgeted appropriate indirect costs using the correct rates and application base, and 5) has not been debarred or suspended from receiving Federal grants or contracts. Evaluate each subrecipients' risk of non-compliance with the terms of the subaward.
- **Award** – include in the agreement those federal and NSF regulations applicable to federal awards which also apply to subrecipients. Necessary provisions include: the key subaward data as delineated by [2 CFR §200.331\(a\)](#); the statement of work, payment, and deliverables; and the prime award terms and conditions, either by reference or physical attachment to the agreement. Consider whether the pre-award risk assessment identified issues that warrant the inclusion of special terms and conditions.
- **Post-award** – monitor subrecipients to ensure program performance and financial and administrative regulatory compliance. Monitoring activities may include: reviewing financial statements and Single Audit Reports, reviewing and approving invoices and supporting documentation, conducting site visits, or providing training and technical assistance. Verify that subrecipients are audited in conformance with [2 CFR 200 Subpart F – Audit Requirements](#). Prime awardees should consider enforcement actions in cases of non-compliance.

More specific guidance on subaward monitoring and management is described in [2 CFR §200.330 - 332](#). For more information about CAAR and/or subawards, visit: <http://www.nsf.gov/bfa/dias/caar/index.jsp>

IMPORTANT LINKS:

National Science Foundation
www.nsf.gov

Division of Institution and
Award Support
www.nsf.gov/bfa/dias

Cost Analysis and Audit
Resolution Branch Website
www.nsf.gov/bfa/dias/caar/index.jsp

NSF Proposal & Award
Policies and Procedures
Guide
www.nsf.gov/publications/pubsumm.jsp?ods_key=papp

Prospective New Awardee
Guide
www.nsf.gov/publications/pubsumm.jsp?ods_key=pnaq

General Federal
Requirements
www.nsf.gov/bfa/dias/caar/fed.jsp

Questions may be directed
to CAAR
Phone: (703) 292-8244





Retraction Watch

Tracking retractions as a window into the scientific process

Aussie university asks for retraction, investigates former neurology researcher for fraud

[without comments](#)



The University of Queensland has decided to get out in front of a serious research misconduct scandal by issuing a press release about the item even before, well, we could get a hold of the story.

The affair involves [Bruce Murdoch](#) (all of his links at UQ are defunct), an expert in movement disorders such as Parkinson's disease. Murdoch isn't named in the release, but he is the corresponding author of the retracted paper, which is called out in the statement.

According to UQ, Murdoch seems to have published a [paper in the *European Journal of Neurology*](#) on research he never conducted — and on the basis of which he received a \$20,000 grant. The paper has been cited six times, according to Thomson Scientific's Web of Knowledge.

UQ has called for a retraction of the paper, although that does not appear to have happened yet.

Here's the [release](#), from Peter Høj, president and vice chancellor of the institution, in its entirety:

The University of Queensland (UQ) is investigating events that have led to the retraction of a paper published in an academic journal.

As a result of its investigation to date, UQ has asked the journal that published the paper to retract it on the grounds that: "no primary data can be located, and no evidence has been found that the study described in the article was conducted."

A former UQ staff member from the Centre for Neurogenic Communication Disorders Research was corresponding author on the paper.

Published online in October 2011 in the *European Journal of Neurology*, the paper was titled *Treatment of articulatory dysfunction in Parkinson's disease using repetitive transcranial magnetic stimulation*.

The journal has agreed to the retraction.

UQ's ongoing investigation is in line with its Research Misconduct Policy and Procedures, and the Australian Code for the Responsible Conduct of Research. The Code was developed by the National Health and Medical Research Council (NHMRC), the Australian Research Council and Universities Australia.

UQ has informed the Crime and Misconduct Commission (CMC) of the allegations, and will receive further advice from the CMC once it has received the inquiry panel's final report.

UQ has returned a \$20,000 grant from a non-government organisation, due to our concerns it had been allocated on the basis of information from the discredited paper.

There was no National Health and Medical Research Council (NHMRC) funding relevant to the paper, but UQ has taken the measure of advising the NHMRC of the progress of the investigation.

UQ researchers contribute to more than 6000 published refereed papers annually.

UQ places the highest importance on upholding the integrity of our research and will not only continue to do so with vigilance but will seek to identify further measures to strengthen that endeavour.

By having the paper retracted, the University enables the global scientific community to learn that the research reported in the paper has no place in the body of scientific knowledge, and so cannot be used as a basis for further research.

The release echoes a memo from Høj that we were forwarded early this morning:

Dear Colleagues

The University of Queensland staff and students publish more than 6,000 refereed papers annually. In doing so, we take all necessary steps to ensure that the material published by our staff is of the highest quality.

The excellence of these publications, their value to the global research community, and their potential to benefit society are all underpinned by the integrity of the research.

We need to be certain that any actions taken by the international research community in response to our papers are taken with full confidence in the integrity of the research.

It is therefore with much disappointment that I inform you that the University has seen it necessary to seek a retraction of a paper with a former UQ colleague from the Centre for Neurogenic Communication Disorders Research, as corresponding author.

Following extensive investigations, we do not have confidence in the research integrity of the paper titled *Treatment of articulatory dysfunction in Parkinson's disease using repetitive transcranial magnetic stimulation*, which was published online in October 2011 in the European Journal of Neurology.

UQ has asked the journal that published the paper to retract it on the grounds that: "no primary data can be located, and no evidence has been found that the study described in the article was conducted."

Having concluded the need to retract this paper, the University is finalising investigation into how the integrity issues arose, and what consequential actions may need to be taken.

UQ's investigation is in line with its Research Misconduct Policy and Procedures, and the Australian Code for the Responsible Conduct of Research. The Code was developed by the National Health and Medical Research Council (NHMRC), the Australian Research Council (ARC) and Universities Australia.

UQ has informed the Crime and Misconduct Commission (CMC) of the allegations, and will receive further advice from the CMC once it has received the inquiry panel's final report.

UQ has returned a \$20,000 grant from a non-government organisation, due to our concerns it had been allocated on the basis of information from the discredited paper.

There was no National Health and Medical Research Council (NHMRC) funding relevant to the paper, but UQ has taken the measure of advising the NHMRC of the progress of the investigation.

By having the paper retracted, UQ enables the global scientific community to learn that the research reported in the paper has no place in the body of scientific knowledge, and so cannot be used as a basis for further research.

I can assure you that UQ places the highest importance on upholding the integrity of our research and will not only continue to do so with vigilance but also seek to identify further measures to strengthen that endeavour.

This obligation is collective, and extends to our role in upholding the reputation of high-quality research as an instrument of local and global benefits.

For the record, I also wish to inform you that I took the step to inform the press of this matter. You should therefore not be surprised to read about it shortly.

Regards

Peter Høj

President and Vice-Chancellor

Professor Peter Høj

Vice-Chancellor and President

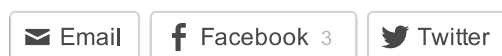
The University of Queensland

UQ's transparency is a welcome contrast to how another area university, Queensland University of Technology (QUT), has handled allegations of misconduct. In a case we [first covered in December](#), QUT, [The Courier-Mail reports](#), has denied graduate student whistleblower Luke Cormack

access to the results of an independent "evaluation" of a cell growth formulation that was described in a research paper on human embryonic stem cell cultivation written by his former colleagues,

Read more about that case [here](#).

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Written by amarcus41



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Retraction Watch

Tracking retractions as a window into the scientific process

Parkinson's researcher to appear in court to face fraud charges

[with 19 comments](#)



Caroline Barwood

A researcher in Australia who has had [several papers retracted](#) following an investigation by her former employer is now facing fraud and other charges.

As [The Guardian reports](#):

A former University of [Queensland](#) academic accused of fabricating research that claimed a breakthrough in treating Parkinson's disease has been charged with fraud.

The Crime and Corruption Commission also alleges Dr Caroline Barwood, who co-authored two papers that were retracted from scientific journals on the advice of UQ, "dishonestly applied for grant funds".

Barwood, 29~~39~~, of Kuraby, was on Friday served with a notice to appear in Brisbane Magistrates Court on six charges including fraud, attempted fraud and general dishonesty in obtaining gain from or causing a loss to a commonwealth entity.

Barwood and Bruce Murdoch have had [three papers retracted](#). The University of Queensland [announced an investigation into their work in September 2013](#), and has looked into more than 90 of their papers.

She's due in court on November 6.

Update, 4:15 p.m. Eastern, 10/31/14: Barwood tells us:

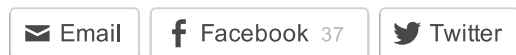
As you can understand I cannot comment until the legal proceedings are complete. I am saddened

and shocked by these allegations given I had no input in the original paper.

Update, 6:50 p.m. Eastern, 10/31/14: Barwood is 29, not 39, as the Crime and Corruption Commission had said. They sent a correction:

****Editor's note:** An earlier version of this media release incorrectly stated that the woman is 39 years old. It was corrected at 1:15pm on 31 October 2014.*

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Written by Ivan Oransky

October 31st, 2014 at 2:32 pm

Posted in [aphasiology](#), [australia retractions](#), [european journal of neurology](#), [int j speech-lang path](#), [neurology retractions](#)

« [Asking for a retraction was “an overbearing response, though I agree that the student screwed up big time”](#)
[Weekend reads: “Academic science isn’t sexist:” buying your way into university rankings](#) »

19 Responses to 'Parkinson's researcher to appear in court to face fraud charges'

Subscribe to comments with [RSS](#) or [TrackBack](#) to 'Parkinson's researcher to appear in court to face fraud charges'.

1. This is what happens if someone commits “general dishonesty in obtaining gain from or causing a loss to a commonwealth entity”. In Germany, similar behaviour is punished by a moratorium of maximum 4 years on DFG grant funding and a written reprimand! Tough, but fair
<http://retractionwatch.com/2014/07/23/cardiology-researcher-who-admitted-to-fraud-earns-four-year-funding-ban/>



[Leonid Schneider](#)

31 Oct 14 at [3:41 pm](#)

2. What is so tough about that?



Ed Goodwin

31 Oct 14 at [4:18 pm](#)

3. Tongue-in-cheek. exactly the opposite of tough, of course.



[Leonid Schneider](#)