

**TEST YOUR “SPIDEY” SENSE?
DO YOU THINK LIKE AN NSF AUDITOR?**



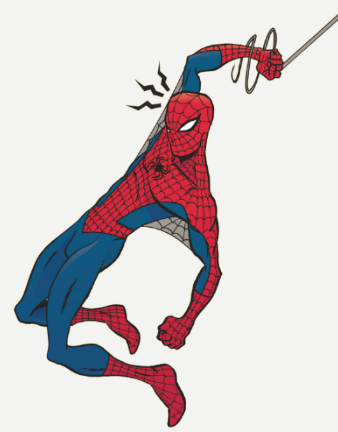
RAC FORUM NOVEMBER 13, 2019

POTENTIAL NSF AUDIT ISSUES



- **Allowability**
 - Is the cost **permissible** under the sponsor's (and recipient's) guidelines?
- **Allocability**
 - Can the cost be **assigned** or charged to one or more activities or items (cost objects) on the basis of benefits received?
- **Reasonableness**
 - The cost is consistent with what a **reasonable** person would pay in the same or similar circumstances.

ADAPTED FROM:



2018-19 OIG Awardee Audit Highlights

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EXAMPLE #1

- The proposal did not indicate that the PI planned to hire any other personnel to work on the project. After the award was issued, the PI hired two new employees and the employees' relocation costs were paid for by the NSF grant. These individuals worked on the award for six months following their relocation.
- Allowable? Allocable? Reasonable?
- NSF guidelines state that such relocation costs are allowable if the proposal indicates that the grantee intends to hire a named individual who is essential to the project on a fulltime basis for a continuous period of at least 12 months.



EXAMPLE #2

- The PI charged her travel to a professional conference in San Francisco to an NSF award. Subsequently, she had a paper published on the results of her NSF funded study. The paper acknowledged support from the NSF award. The PI also included information regarding travel to this conference in her annual project report to NSF.
- Allowable? Allocable? Reasonable?
- By acknowledging the support of the NSF award in the published paper and referencing the conference in her annual report, auditors would view this travel as allowable and allocable to the award.



EXAMPLE #3



- The PI purchased a piece of computer equipment and allocated 33.3% of the cost to his NSF award. When this cost was questioned by the auditor because it was not included in the proposal budget, the PI stated that he decided to use the NSF grant funds he had originally set aside for travel to purchase the equipment because he didn't need to travel after all.
- Allowable? Allocable? Reasonable?
- Auditors would question this explanation because it indicates that the allocation was based on funding availability rather than on the proportional benefit received or other documented methodology.

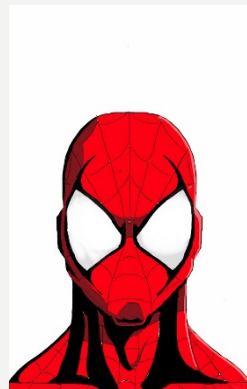
EXAMPLE #4

- A \$15,000 piece of equipment was ordered at the beginning of NSF project period. The equipment was defective when received. The organization returned the equipment and requested a vendor refund. The University never received the refund so the University did not refund NSF for the purchase price.
- Allowable? Allocable? Reasonable?
- No benefit was received for this purchase, and therefore the entire purchase price should be questioned.



EXAMPLE #5

- PI Green budgeted \$25,000 for participant support costs in his NSF approved budget. Six months into the project, PI Green realized that \$25K was not enough to make the project a success. He decided to cut back on project supplies and travel and move the savings of \$5K into participant support costs.
- Allowable? Allocable? Reasonable?
- Prior written NSF Program Officer approval is required transfer of funds budgeted for participant support costs into other categories of expense, but not the other way around.



EXAMPLE #6

- PI Brown received on an NSF Faculty Early Career Development Program (CAREER) award, and then left his awardee university to take a position at a university in another country. He remained PI on the award to the awardee university as an adjunct faculty member at the awardee university. The PI disclosed his departure from the awardee university to the NSF Program Officer and received permission from the NSF Program Officer to remain as PI on the award as an adjunct.
- Allowable? Allocable? Reasonable?
- The PI's departure from the awardee university made the PI ineligible for the award because CAREER award PIs must be in tenure-track or tenure-track-equivalent positions in the U.S.

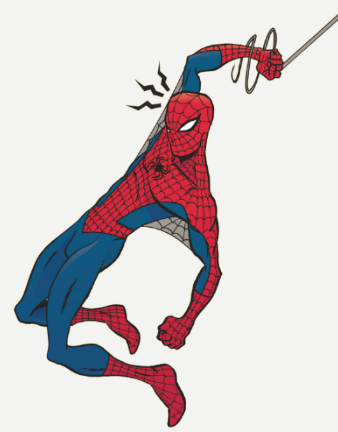


EXAMPLE #7

- The University charged 35.8 percent of the PI's time to his NSF award.
- Allowable? Allocable? Reasonable?
- This unusual percentage of effort makes it appear the organization is trying to achieve a predetermined dollar amount.



EXAMPLE #8



- A cost transfer of \$3,000 for catering charges was transferred from a university designated fund onto an NSF award three months before the project end date. This was 50% of the catering cost. When questioned, the Project Director indicated that he estimated that 25 of the 100 attendees at the event were NSF grant participants.
- Allowable? Allocable? Reasonable?
- The entire amount moved onto this NSF award should be questioned.

EXAMPLE #9



- The PI's organization's policy was to not allow cost transfers over 90 days. Although no funding was included in the project budget for travel, travel expenses were charged to his NSF award two years after the costs were incurred. The NSF award was on its second no-cost extension when the costs were transferred to the award. The second no-cost extension notes that "funds will be used to organize and digitize sets of materials." Charges for books and film materials were included in the PI's travel reimbursement.
- Allowable? Allocable? Reasonable?
- The transfer was contrary to the recipient organization's cost transfer policy. There was no funding included in the budget for travel., and he funds were not used for the purpose under the NCE. Charges for books and film materials could be questioned as being travel-related.

EXAMPLE #10



- The PI of an NSF award purchased capital equipment on January 18, 2016. The capital equipment transaction was received on April 21, 2016, recorded in the GL on April 22, 2016, and had an invoice date of April 1, 2016; however, the award expired on May 31, 2016. The PI's rationale was that the purchase benefited his NSF award and would benefit his subsequent grants.
- Allowable? Allocable? Reasonable?
- Although the entire purchase was allocated to the PI's NSF award, the timing of the purchase indicates that the equipment purchase did not benefit this NSF award, but rather other research/award(s) outside the scope of this award.

EXTRA CREDIT

- The PI left his office on the UC Berkeley campus at 11 am on Friday May 24, 2019 to take an NSF grant related trip outside the US. Before driving to SFO, the PI decided to have lunch at a Chinese restaurant in Berkeley with his wife. After returning from his trip to China the PI charged his and his wife's lunch on the 24th to his NSF grant because he reasoned that he had started his trip when he left his office, and they had shared their entrées.
- Allowable? Allocable? Reasonable?
- Based on **University of California – Policy G-28 (E.1.a)** Travel Regulations, subsistence expenses incurred within the vicinity of an employee's headquarters or residence cannot be reimbursed.





How was your “Spidey Sense”?