UNIVERSITY OF ARIZONA NSF AUDIT SUMMARY

Scope
- The audit scope encompassed the period from January 1, 2012 to December 31, 2014. The objective was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with NSF and Federal terms and conditions. NSF award expenditures of more than $176 million charged to 568 different grants were examined.

Methodology
- To create the audit sample, NSF utilized a data analytics approach to identify high risk transactions within the audit period. These types of transactions include expenditures at the end of the project, cost transfers, travel, equipment, subaward payments, and pre-award costs. From this process, NSF selected a sample of 67 payroll and 183 non-payroll transactions for testing. In addition, NSF selected 40 awards to compare budgeted to actual expenditures for participant support and graduate assistant costs.
- The sample was then given to the contracted firm Moss Adams to conduct the audit. The University transmitted supporting documentation for the sampled costs from our UAccess Financials, Research, and Employee systems. Applicable University policies, procedures, and training materials were also provided.

On-Site Visit
- Moss Adams met with a set of principal investigators and research administrators to review our grants management process. The auditors asked questions about the proposal budgeting process, award management procedures, and the principal investigator’s involvement in reviewing and approving costs on their grants.

Questioning of Expenditures
- Most of the 250 expenditures produced questions from the auditors via email and phone correspondence. Principal investigators and research administrators were contacted to provide additional justification for the costs. The types of costs that underwent the most scrutiny included:
  - Late cost transfers
  - Costs charged after the prescribed 120 day final closeout period
  - Equipment purchases that were not budgeted in the proposal
  - Computing devices and equipment purchased near the end of the project
  - Travel costs including:
    - Long periods of travel split funded to multiple awards
    - Foreign travel
    - What NSF judged as instances of excessive travel for workshops and conferences
    - Travel during a period of time when the traveler’s effort was charged to a different account
  - Funds proposed to support graduate assistants that were later rebudgeted for other purposes
  - Employee relocation and recruitment costs
  - Overtime payroll costs
Summary of Findings - $56,904 Total Costs

- A subaward of $39,770 including F&A costs was issued without prior approval from NSF. Due to the uniqueness of the events leading to the subaward, the University did not agree with the finding and will continue to work with NSF during audit resolution to contest the finding.
- Compassionate leave payroll of $12,196 including F&A costs were charged. Since guidance on the University Research Gateway recommends obtaining sponsor approval for this type of pay, the University will refund these costs.
- Travel costs of $3,529 including F&A costs were charged to an award which it did not benefit. The University did not agree with the finding and will continue to work with NSF during audit resolution to contest the finding.
- Pre-award costs of $859 including F&A costs were incurred outside of the 90 day pre-award window. Since prior approval was not obtained, the University will refund these costs.
- Campus recreation fees of $550 for student participants were charged. Although the costs benefitted the students, this is an unallowable expense on Federal funds and the University will refund these costs.

Lessons Learned

- Costs on Federal projects should have a detailed explanation explaining their benefit to the project. The explanation should be present in either the proposal budget justification, or attached as a note to the actual transaction in the financial system. Simply stating the cost is necessary for the project is not sufficient justification.
- The higher risk costs mentioned above should accordingly be supported by more detail because of the increased scrutiny.
- Although NSF terms allow rebudgeting to complete the scope of the work, significant changes should be evaluated for change of scope and internally documented.
- The rebudgeting of funds proposed for graduate assistants should be evaluated to ensure there is not a change in scope.
- Prior approval requirements should be considered, and necessary approvals obtained before the activity commences. Agency terms and conditions should be regularly reviewed for updates to prior approval requirements.
- Across the board, Federal agencies are being stricter on the 120 day close out requirement. Costs should be posted within the prescribed 120 day closeout window.
- Timely reconciliation is necessary for preventing late cost transfers and periods of unusual expenditure rates which do not correspond to the amount of programmatic activity taking place.
- In addition to Federal policy, adherence to University policy and internal controls is an important part of the grants management process.