



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

2415 Eisenhower Avenue
Alexandria, VA 22314
(703) 292-8244

May 1, 2024

Teresa Hammitt (hammitt@unm.edu)
Associate Controller
Contract & Grant Accounting
University of New Mexico
1700 Lomas Blvd, NE
Albuquerque, NM 87131

Reference: OIG Report No. 21-1-009

Dear Teresa Hammitt,

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of Inspector General (NSF OIG) audit report on the University of New Mexico's (UNM) implementation of the Office of Management and Budget (OMB) Coronavirus Disease 2019 (COVID-19) flexibilities for the period March 1, 2020 to September 30, 2020.

The audit report questioned \$20,965 in costs claimed under NSF awards and recommended that UNM strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined that \$17,269 will be allowed and \$3,696 will be sustained and disallowed. The table below summarizes the resolution of each finding by recommendation:

Rec #	Audit Report Description	Questioned	Sustained	Disallowed	Allowed	Final Action Complete
1.1	Unreasonable Travel Expenses	\$17,269	\$0	\$0	\$17,269	Yes
1.2	Unreasonable Travel Expenses	\$0	\$0	\$0	\$0	Yes
1.3	Unreasonable Travel Expenses	\$0	\$0	\$0	\$0	Yes
2.1	Unallowable Expenses	\$3,613	\$3,613	\$3,613	\$0	No
2.2	Unallowable Expenses	\$83	\$83	\$83	\$0	No

2.3	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
2.4	Unallowable Expenses	\$0	\$0	\$0	\$0	No
3.1	Incorrect Application of Indirect Cost Rates	\$0	\$0	\$0	\$0	Yes
3.2	Incorrect Application of Indirect Cost Rates	\$0	\$0	\$0	\$0	Yes
Summary of Total Questioned Costs		\$20,965	\$3,696	\$3,696	\$17,269	

To resolve the audit findings and questioned costs, NSF conducted detailed reviews of applicable Federal and NSF requirements, proposal and award information maintained by the Agency, and documentation provided by UNM. The summary below provides the bases for the management decisions reached by NSF:

Finding 1: Unreasonable Travel Expenses

Recommendation 1.1: Direct UNM to repay or otherwise remove the \$17,269 of unreasonable per diem, airfare, and ground transportation costs from its NSF award.

NSF Management Decision: The recommendation is not sustained. The basis for questioning the costs is because per diem claimed by the Principal Investigator (PI) were not budgeted or approved by NSF. NSF disagrees that this is an adequate basis to question costs and notes that there is no NSF requirement to seek prior approval to re-budget funds for travel under this award. NSF recipients are granted broad re-budgeting authority as long as doing so does not result in a change of scope or objectives. However, the PI did obtain NSF approval to re-budget funds under the award. NSF has determined to allow the questioned costs of \$17,269. NSF considers final action is complete under recommendation 1.1.

Recommendation 1.2: Direct UNM to strengthen its administrative and management procedures for reviewing travel expenses incurred on sponsored projects. Updated procedures could include periodic training for Principal Investigators to ensure they understand when NSF Grant Officer approval should be requested and how to appropriately document that only reasonable costs were charged to NSF awards.

NSF Management Decision: The recommendation is sustained. NSF has determined that the corrective actions taken by UNM are responsive to the recommendation to strengthen administrative and management procedures for reviewing travel expenses incurred on sponsored project. NSF considers final action is complete under recommendation 1.2.

Recommendation 1.3: Direct UNM to strengthen its policies and procedures regarding the reasonableness of per diem expenses incurred when employees are temporarily relocated for a period longer than 30 days.

NSF Management Decision: The recommendation is sustained. NSF takes no exception to UNM's policies and internal controls related to documenting reasonableness of per diem expenses. NSF considers final action is complete under recommendation 1.3.

NSF considers Finding 1 resolved and closed.

Finding 2: Unallowable Expenses

Recommendation 2.1: Direct UNM to repay or otherwise remove the \$3,613 in questioned tuition costs from its NSF awards.

NSF Management Decision: The recommendation is sustained. NSF's management decision is to sustain and disallow \$3,613. **Final action will be considered complete upon repayment of \$3,613 under award 1565547 via pay.gov.**

Recommendation 2.2: Direct UNM to provide documentation supporting that it has repaid or otherwise credited the \$83 of questioned travel costs for which it has agreed to reimburse NSF.

NSF Management Decision: The recommendation is sustained. The NSF management decision is to sustain and disallow \$83. **Final action will be considered complete upon repayment of \$83 under award 1652619 via pay.gov.**

Recommendation 2.3: Direct UNM to strengthen its controls surrounding the approval of expense reimbursements to ensure approvers appropriately verify that travelers are reimbursed at the appropriate U.S. General Services Administration per diem rate(s).

NSF Management Decision: The recommendation is sustained. NSF does not take exception to UNM's travel policies and procedures nor its internal controls over travel expenditures. Final action is considered complete under recommendation 2.3.

Recommendation 2.4: Direct UNM to strengthen its policies and procedures surrounding the use of participant support cost funding to cover tuition remission expenses. Specifically, UNM should update its current tuition remission policies and procedures to ensure that it does not use participant support costs to cover costs associated with credit hours that do not benefit student participants.

NSF Management Decision: The recommendation is sustained. UNM is not responsive to the recommendation. **Final action will be considered complete upon UNM's adoption of an internal control to monitor credit-hour reductions that occur after its internal tuition refund deadline.**

NSF considers Finding 2 resolved. Final actions are pending under recommendations 2.1, 2.1, and 2.4.

Finding 3: Incorrect Application of Indirect Cost Rates

Recommendation 3.1: Direct UNM to update its award set-up practices to require that, when setting up accounts established for NSF awards, personnel ensure that the accounts apply indirect costs using the rates that were established in the Negotiated Indirect Cost Rate Agreement (NICRA) in effect as of the date of the NSF grant award, rather than using the rates included within the original grant proposal.

NSF Management Decision: NSF has determined UNM is responsive to the recommendation. UNM's award set up now uses negotiated rates as of the date of the NSF award, rather than proposal rates. NSF considers final action is complete under recommendation 3.1.

Clarification: The recommendation is not sustained. NSF's policy requires grantees to budget indirect costs using current indirect cost rates in accordance with PAPPG Chapter II, Section C.2.g(viii), Indirect Costs. However, during the award performance period, grantees may provide voluntary uncommitted cost sharing at any time consistent with OMB's clarification Q-132, 2 CFR Frequently Asked Questions dated 5/3/2021 and PAPPG Chapter II, Section C.2.g(xii), Cost Sharing. Also see NSF's Cost Sharing Policy at <https://www.nsf.gov/bfa/dias/policy/>. Accordingly, NSF does not agree with the recommendation to **require** that, when setting up accounts established for NSF awards, UNM must apply negotiated rates in effect at the time of the award. Rather, UNM must have internal controls in place to ensure that the

rates applied do not exceed the negotiated rates in effect at the time of the award, thereby avoiding overcharges of indirect costs to NSF awards. Further, the Uniform Guidance does not recognize provisional rates as negotiated rates. In the event only provisional rates are in effect at the time of the award, the University must wait until a NICRA is issued which establishes negotiated rates and apply those negotiated rates as if they were in effect at the time of the award.

Recommendation 3.2: Direct UNM to require subawardees to apply indirect costs using the rates that were established in the Negotiated Indirect Cost Rate Agreement in effect as of the date of the subaward agreement, rather than using the rates included within the subaward budget and proposal. **NSF Management Decision: The recommendation is not sustained.** Only Colleges and Universities are restricted to fixed rates for the life of the sponsored agreement; see PAPPG, Chapter X, Section D, Indirect Costs and Uniform Guidance 2 CFR § 200.414, Indirect (F&A) Costs.

NSF has determined UNM is responsive to the recommendation. UNM Contract and Grant Accounting has assigned an Accountant 1 to monitor subaward invoices for the correct application of indirect cost rates prior to routing them through the UNM subaward invoice workflow for approval and payment. NSF considers final action is complete under recommendation 3.2.

NSF considers Finding 3 resolved and closed.

Recommendation 2.4 will be administratively closed upon a determination by NSF that corrective actions are responsive to the recommendation.

Based on the above, the total disallowed amount is \$3,696. **Repayment of \$3,613 under award 1565547 and \$83 under award 1652619 must be made via www.pay.gov.** Please reference OIG Audit Report No. 21-1-009 in the comments section as well as on all documentation. **Repayment of disallowed costs must be received no later than 90 days from the date of this letter. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.** Recommendations 2.1 and 2.2 will be administratively closed Upon NSF's verification of repayment.

Please be aware that UNM's right to appeal cost disallowances by NSF is outlined in Chapter XII.B of the NSF Proposal and Award Policies and Procedures Guide (PAPPG), which may be found online at: https://www.nsf.gov/publications/pub_summ.jsp?ods_key=pappg. An appeal must be filed within 30 days from the date of this letter, or May 31, 2024.

The University's cooperation with the NSF audit resolution process is greatly appreciated. Should you have any questions regarding this letter or the NSF audit resolution process, please feel free to contact me at 703-292-4579.

Sincerely,

Carrie Davison

Carrie Davison
Senior Cost Analyst
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support