



**NATIONAL SCIENCE FOUNDATION**  
**Division of Institution & Award Support**

---

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

November 15, 2024

Michael Clune, PhD  
[Michael.Clune@ucsf.edu](mailto:Michael.Clune@ucsf.edu)  
 Senior Associate Vice Chancellor and Chief Financial Officer  
 University of California San Francisco  
 1855 Folsom Street  
 Box 0815  
 San Francisco, CA 94103

Reference: OIG Report No. 21-1-020

Dear Dr. Clune,

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of Inspector General (NSF OIG) audit report on costs incurred under NSF awards by University of California, San Francisco (UCSF) during the period March 1, 2017 to February 29, 2020.

The audit report identified a total of \$136,810 in questioned costs claimed on NSF awards and recommended that UCSF strengthen its administrative and management controls for the areas in which findings were identified. As a result of its resolution efforts, NSF has determined to sustain \$97,310 of the questioned costs identified; however, based on alternative documentation reviewed and accepted during resolution, NSF will require repayment of only \$79,144. The table below summarizes the sustained, allowed, and disallowed costs by recommendation:

Rec	Description	Questioned	Sustained	Allowed	Disallowed	Final Action Complete
1.1	Improperly Allocated Expenses	\$55,739	\$16,239	\$42,100	\$13,639	No
1.2	Improperly Allocated Expenses	\$20,253	\$20,253	\$0	\$20,253	No
1.3	Improperly Allocated Expenses	\$0	\$0	\$0	\$0	Yes
2.1	Unallowable Expenses	\$21,324	\$21,324	\$2,137	\$19,187	No
2.2	Unallowable Expenses	\$15,375	\$15,375	\$0	\$15,375	No
2.3	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
2.4	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
2.5	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
2.6	Unallowable Expenses	\$0	\$0	\$0	\$0	Yes
3.1	Inadequately Supported Expenses	\$14,365	\$14,365	\$12,781	\$1,584	No
3.2	Inadequately Supported Expenses	\$0	\$0	\$0	\$0	Yes
4.1	Indirect Costs Inappropriately Applied	\$8,402	\$8,402	\$648	\$7,754	No

4.2	Indirect Costs Inappropriately Applied	\$1,352	\$1,352	\$0	\$1,352	Yes
4.3	Indirect Costs Inappropriately Applied	\$0	\$0	\$0	\$0	Yes
5.1	Non-compliance with UCSF Policies	\$0	\$0	\$0	\$0	Yes
5.2	Non-compliance with UCSF Policies	\$0	\$0	\$0	\$0	Yes
5.3	Non-compliance with UCSF Policies	\$0	\$0	\$0	\$0	Yes
5.4	Non-compliance with UCSF Policies	\$0	\$0	\$0	\$0	Yes
6.1	Insufficient Controls Related to Indirect Cost Rates	\$0	\$0	\$0	\$0	Yes
6.2	Insufficient Controls Related to Indirect Cost Rates	\$0	\$0	\$0	\$0	Yes
	<b>Summary of Total Questioned Costs:</b>	<b>\$136,810</b>	<b>\$97,310</b>	<b>\$57,666</b>	<b>\$79,144</b>	

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 UCSF. The summary below provides the bases for the management decisions reached by NSF:

**Finding 1: Improperly Allocated Expenses**

**Recommendation 1.1:** Resolve the \$55,739 in questioned, unallocable publication and other direct costs for which UCSF has not agreed to reimburse NSF and direct UCSF to repay or otherwise remove the sustained questioned costs from its NSF awards.

**NSF Management Decision:** The recommendation is partially sustained. NSF determined to allow \$42,100 based on determinations that various allocation methodologies were adequate. For one transaction, NSF determined to sustain the entire questioned amount due to lack of documentation at the time of the expenditure; however, a negotiated settlement was reached to disallow and repay a portion of the questioned costs because the award received benefit. It is NSF's management decision to sustain \$16,239; however, only \$13,639 is disallowed and requires repayment.

**Corrective Action:** NSF requires that UCSF repay disallowed costs of \$13,639. **Final action will be considered complete upon repayment of \$13,639.**

**Recommendation 1.2:** Direct UCSF to provide documentation supporting that it has repaid or otherwise credited the \$20,253 in questioned, unallocable publication and other direct costs for which UCSF has agreed to reimburse NSF.

**NSF Management Decision:** The recommendation is sustained. It is NSF's management decision to sustain and disallow \$20,253.

**Corrective Action:** UCSF has provided evidence of \$7,925 repayment. NSF requires that UCSF repay the remaining disallowed costs of \$12,328. **Final action will be considered complete upon repayment of \$12,328.**

**Recommendation 1.3:** Direct UCSF to strengthen its administrative and management controls and processes for supporting the allocation of expenses to sponsored projects.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures, internal controls, and training are responsive to strengthening its administrative and management controls and processes for supporting the allocation of expenses to sponsored projects. **NSF considers that final action is complete under Recommendation 1.3.**

**Finding 2: Unallowable Expenses**

**Recommendation 2.1:** Resolve the \$21,324 in questioned participant support and travel costs for which UCSF has not agreed to reimburse NSF and direct UCSF to repay or otherwise remove the sustained questioned costs from its NSF awards.

**NSF Management Decision:** The recommendation is sustained. NSF determined to sustain the entire questioned amount of \$21,324; however, for one transaction, a negotiated settlement was reached to disallow and repay a portion of the questioned costs because the award received benefit. It is NSF's management decision to sustain \$21,324; however, only \$19,187 is disallowed and requires repayment.

**Corrective Action:** UCSF has provided evidence of \$13,060 repayment. NSF requires that UCSF repay the remaining disallowed costs of \$6,127. **Final action will be considered complete upon repayment of \$6,127.**

**Recommendation 2.2:** Direct UCSF to provide documentation supporting that it has repaid or otherwise credited the \$15,375 of questioned participant support, travel and salary costs for which it has agreed to reimburse NSF.

**NSF Management Decision:** The recommendation is sustained. It is NSF's management decision to sustain and disallow \$15,375.

**Corrective Action:** NSF requires that UCSF repay disallowed costs of \$15,375. **Final action will be considered complete upon repayment of \$15,375.**

**Recommendation 2.3:** Direct UCSF to establish clear guidance regarding the allowable uses of participant support cost funding. This guidance should address how to segregate and account for costs that cannot be covered with participant support cost funding, such as costs incurred for UCSF employees, entertainment costs, and expenses associated with unused participant lodging.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures, internal controls, and training are responsive in establishing clear guidance regarding the allowable uses of participant support costs. **NSF considers that final action is complete under Recommendation 2.3.**

**Recommendation 2.4:** Direct UCSF to strengthen its administrative and management processes to ensure credits received from vendors are appropriately reimbursed to the original funding source(s) charged.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's processes and procedures are responsive to ensuring that credits received from vendors are appropriately reimbursed to the original funding source(s). **NSF considers that final action is complete under Recommendation 2.4.**

**Recommendation 2.5:** Direct UCSF to strengthen its administrative and management processes and procedures surrounding the approval of travel expense reports.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures are responsive in strengthening its administrative and management processes and procedures surrounding the approval of travel expense reports. **NSF considers that final action is complete under Recommendation 2.5.**

**Recommendation 2.6:** Direct UCSF to provide training regarding the policy requirements for salary charged to NSF awards to ensure payroll is processed timely, under the appropriate account codes, and appropriately certified.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's comprehensive *Award Verification* policy that was implemented in April 2021 is responsive to ensuring that payroll is processed timely, under the appropriate account codes, and appropriately certified. **NSF considers that final action is complete under Recommendation 2.6.**

**Finding 3: Inadequately Supported Expenses**

**Recommendation 3.1:** Resolve the \$14,365 in questioned, inadequately supported subaward and animal care expenses for which UCSF has not agreed to reimburse NSF and direct UCSF to repay or otherwise remove the sustained questioned costs from its NSF awards.

**NSF Management Decision:** The recommendation is sustained. NSF determined to sustain the entire questioned amount of \$14,365; however, for two transactions, negotiated settlements were reached to disallow and repay a portion of the questioned costs because the awards received benefit. It is NSF's management decision to sustain \$14,365; however, only \$1,584 is disallowed and requires repayment.

**Corrective Action:** NSF requires that UCSF repay disallowed costs of \$1,584. **Final action will be considered complete upon repayment of \$1,584.**

**Recommendation 3.2:** Direct UCSF to strengthen its policies and procedures related to creating and retaining documentation, including introducing additional controls to help ensure it appropriately creates and maintains all documentation necessary to support the allowability of expenses charged to sponsored programs.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's policies and procedures for retaining documentation, including procedures for PI approval of subawardee invoices and documented rates for service centers, is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 3.2.**

**Finding 4: Indirect Costs Inappropriately Applied**

**Recommendation 4.1:** Resolve the \$8,402 in questioned indirect costs for which UCSF has not agreed to reimburse NSF and direct UCSF to repay or otherwise remove the sustained questioned costs from its NSF awards.

**NSF Management Decision:** The recommendation is sustained. NSF determined to sustain the entire questioned amount of \$8,402; however, for one transaction a negotiated settlement was reached to disallow and repay a portion of the questioned costs because the award received benefit. It is NSF's management decision to sustain \$8,402; however, only \$7,754 is disallowed and requires repayment.

**Corrective Action:** UCSF has provided evidence of \$6,023 repayment. NSF requires that UCSF repay the remaining disallowed costs of \$1,731. **Final action will be considered complete upon repayment of \$1,731.**

**Recommendation 4.2:** Direct UCSF to provide documentation supporting that it has repaid or otherwise credited the \$1,352 of questioned indirect costs for which it has agreed to reimburse NSF.

**NSF Management Decision:** The recommendation is sustained. It is NSF's management decision to sustain and disallow \$1,352.

**Corrective Action:** UCSF has provided evidence of repayment of \$1,352. **NSF considers that final action is complete under Recommendation 4.2.**

**Recommendation 4.3:** Direct UCSF to strengthen its monitoring procedures and internal control processes for applying indirect costs to federal awards.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures and related training is responsive to the recommendation to strengthen its monitoring procedures and internal control processes for applying indirect costs to federal awards. **NSF considers that final action is complete under Recommendation 4.3**

**Finding 5: Non-compliance with UCSF Policies**

**Recommendation 5.1:** Direct UCSF to strengthen its administrative and management procedures for rentals to ensure employees use Connexus to rent vehicles, thereby ensuring the rental is covered by University of California's rental car insurance for business travel.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures now ensures that employees use Connexus for all car rentals. **NSF considers that final action is complete under Recommendation 5.1.**

**Recommendation 5.2:** Direct UCSF to strengthen its administrative and management procedures related to subaward processing to confirm subrecipient commitment forms are completed for each subawardee at the proposal stage.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures now confirms that subrecipient commitment forms are completed for each subawardee at the proposal stage. **NSF considers that final action is complete under Recommendation 5.2.**

**Recommendation 5.3:** Direct UCSF to strengthen its directives, procedures, and internal controls for procuring contract services on sponsored projects.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's updated policies and procedures are responsive and includes annual training for all procurement staff, clarification of documentation requirements, enforcement of all required forms, and updated policies and procedures on Intercampus Appointments. **NSF considers that final action is complete under Recommendation 5.3.**

**Recommendation 5.4:** Direct UCSF to strengthen its procedures and internal controls for reviewing expense(s) eligibility for inclusion or exclusion from the Modified Total Direct Cost base.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's procedures and internal controls for reviewing the MTDC base are responsive to the recommendation. **NSF considers that final action is complete under Recommendation 5.4.**

**Finding 6: Insufficient Controls Related to Application of Indirect Cost Rates**

**Recommendation 6.1:** Direct UCSF to develop and implement a control to identify when indirect cost rates change between provisional rates and newly negotiated indirect cost rates; as well as to take appropriate steps to avoid claiming unallowable indirect costs on NSF awards.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's internal controls to identify when indirect cost rates change between provisional rates and newly negotiated indirect cost rates, as well as controls to avoid claiming unallowable indirect costs on NSF awards are responsive to the recommendation. **NSF considers that final action is complete under Recommendation 6.1.**

**Recommendation 6.2:** Direct UCSF to develop and implement a control to identify when indirect cost rates change between proposal submission and award date, as well as to take appropriate steps to avoid claiming unallowable indirect costs on NSF awards.

**NSF Management Decision:** The recommendation is sustained.

**Corrective Action:** NSF has determined that UCSF's internal controls when indirect cost rates change between proposal submission and award date, as well as controls to avoid claiming unallowable indirect costs on NSF awards is responsive to the recommendation. **NSF considers that final action is complete under Recommendation 6.2.**

Based on the above, the total disallowed amount is \$79,144. UCSF has provided NSF evidence of \$28,360 in repayments. **Repayment of the remaining \$50,784 must be made via [www.pay.gov](http://www.pay.gov).** Please reference OIG Audit Report No. 21-1-020. Any necessary adjustments to ACM\$ as a result of the repayment will be made by the NSF Division of Financial Management (DFM). **Repayment of disallowed costs must be received no later than 90 days from the date of this letter, or February 13, 2025. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services**

Following are the pending repayment amounts by award number:

Award #	Pending Repayment
1263357	\$1,135
1317640	\$2,695
1355222	\$661
1411898	\$469
1430970	\$3,091
1453847	\$7,708
1515456	\$5,881
1515494	\$380
1538946	\$8,465
1548297	\$3,425
1559112	\$88
1659873	\$469
1743407	\$4,158
1758599	\$3,901
1828783	\$852
1855401	\$4,806
1921794	\$2,600
	<b>\$50,784</b>

Please be aware that UCSF'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](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 December 15, 2024.

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

Sincerely,

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

cc: Ellyn McCaffrey  
Asst Controller  
[Ellyn.McCaffrey@ucsf.edu](mailto:Ellyn.McCaffrey@ucsf.edu)

Alex Chang,  
Audit Liaison  
[Alex.Chang4@ucsf.edu](mailto:Alex.Chang4@ucsf.edu)