



NATIONAL SCIENCE FOUNDATION
Division of Institution & Award Support

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

May 3, 2024

Holly Talbot
Senior Director of Administration & Comptroller
Amanda Johnson
Grants Manager & Compliance Officer
Cary Institute of Ecosystem Studies
PO AB, Millbrook, New York 12545

Reference: OIG Report No. 23-1-001

Dear Holly Talbot and Amanda Johnson,

The National Science Foundation (NSF) has completed the review and resolution of the NSF Office of Inspector General (OIG) audit report on costs incurred under NSF awards by the Cary Institute of Ecosystem Studies (Cary Institute) during the period of September 15, 2014, to September 2, 2021.

The audit report identified a total of \$33,024 in questioned costs claimed on NSF awards and recommended that Cary Institute 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 \$10,038 will be sustained and disallowed. The table below summarizes the resolution of each finding by recommendation:

Finding	Description	Questioned	Allowed	Disallowed
1.1	Inadequately Supported Expenses	\$6,739	\$6,739	
1.2	Inadequately Supported Expenses	\$9,179		\$9,179
1.3	Insufficient Controls Related to Documentation	\$0	\$0	\$0
2.1	Unallowable Expenses	\$7,850	\$7,850	
2.2	Unallowable Expenses	\$859		\$859
2.3	Insufficient Controls Related to Publication Expenses	\$0	\$0	\$0

Finding	Description	Questioned	Allowed	Disallowed
2.4	Insufficient Controls Related to Foreign Travel Expenses	\$0	\$0	\$0
3.1	Indirect Cost Rates Not Appropriately Adjusted	\$8,397	\$8,397	\$0
3.2	Indirect Cost Rates Not Appropriately Adjusted	\$0	\$0	\$0
3.3	Noncompliance with Indirect Cost Policies	\$0	\$0	\$0
4.1	Noncompliance with Federal Requirements for Pass-Through Entities	\$0	\$0	\$0
5.1	Indirect Cost Rates Applied Using Non-Negotiated Indirect Cost Rate Agreement (NICRA) Approved Rates	\$0	\$0	\$0
6.1	Indirect Cost Rate Not Applied to the Appropriate Modified Total Direct Cost (MTDC) Base	\$0	\$0	\$0
7.1	Fringe Benefits Not Charged Consistent with NICRA	\$0	\$0	\$0
7.2	Fringe Benefits Not Charged Consistent with NICRA	\$0	\$0	\$0
Total		\$33,024	\$22,986	\$10,038

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

Finding 1: Inadequately Supported Expenses

Recommendation 1.1: Resolve the \$6,739 in questioned publication expenses and direct Cary Institute to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF's Management Decision: NSF's management decision is to sustain recommendation 1.1 and to allow \$6,379. The recommendation is sustained because the methodology for allocating publication costs was not adequately supported. NSF has determined to allow the \$6,739 of questioned costs because the open access fees incurred to publish could only have benefitted the two NSF awards that had been financially closed.

Corrective Action: Cary Institute updated its allocation methodology to address how costs associated with publications or sharing of research results may be charged to sponsored awards during the project period or during closeout of a federal award (e.g., after expiration of the award but prior to the final closeout date). Additionally, the updated policy addressed requirements for documentation.

NSF considers final action complete under recommendation 1.1.

Recommendation 1.2: Direct Cary Institute to provide documentation supporting that it has repaid or otherwise credited the \$9,179 of questioned leave payout and service center expenses for which it has agreed to reimburse NSF.

NSF's Management Decision: The recommendation is sustained. Based on concurrence, NSF has determined to disallow the questioned costs of \$9,179.

Corrective action: NSF requires that Cary Institute repay the disallowed costs of \$9,179.

Final action will be complete under recommendation 1.2 upon repayment of \$9,179.

Recommendation 1.3: Direct Cary Institute to introduce additional controls to help ensure that it appropriately creates and maintains all documentation necessary to support the allowability of leave payout, publication, and service center expenses charged to NSF awards.

NSF's Management Decision: The recommendation is sustained.

Corrective action: NSF has determined that corrective actions taken by Cary Institute are responsive to the recommendation to enhance internal policies to provide guidance on leave payouts, internal service centers, and publication charges.

NSF considers final action complete under recommendation 1.3.

Final action for Finding 1 will be complete upon repayment of \$9,179.

Finding 2: Unallowable Expenses

Recommendation 2.1: Resolve the \$7,850 in questioned publication expenses and direct Cary Institute to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF's Management Decision: The recommendation is sustained.

Corrective Action: The recommendation is sustained because the methodology for allocating publication costs was not adequately supported. NSF has determined to allow the questioned costs of \$7,850 because the acknowledgement of NSF support was made in the publication. Cary Institute updated its allocation methodology to address how costs associated with publications or sharing of research results may be charged to sponsored awards during the project period or during closeout of a federal award (e.g., after expiration of the award but prior to the final closeout date). Additionally, the updated policy addressed requirements for documentation.

NSF considers final action complete under recommendation 2.1.

Recommendation 2.2: Direct Cary Institute to provide documentation supporting that it has repaid or otherwise credited the \$859 of questioned airfare costs for which it has agreed to reimburse NSF.

NSF's Management Decision: The recommendation is sustained. NSF has determined to disallow the questioned costs of \$859, for which Cary Institute has agreed to repay.

Corrective Action: NSF requires that Cary Institute repay the disallowed costs of \$859.

Final action will be complete under recommendation 2.2 upon repayment of \$859.

Recommendation 2.3: Direct Cary Institute to establish clear guidance regarding the allowability of publication expenses on sponsored projects, including the requirement regarding how to acknowledge NSF funding sources.

NSF's Management Decision: The recommendation is sustained.

Corrective Action: NSF has determined that corrective actions taken by Cary Institute are responsive to the recommendation to establish clear guidance regarding the allowability of publication expenses on sponsored projects, including the requirement to acknowledge NSF funding sources and provide adequate supporting documentation.

NSF considers final action complete under recommendation 2.3.

Recommendation 2.4. Direct Cary Institute to strengthen its processes and procedures surrounding the booking and approval of foreign travel expenses. Updated procedures could include implementing additional reviews for all foreign airfare purchases that require the reviewer to verify purchased airfare is compliant with the Fly America Act before charging the expense to an NSF award.

NSF's Management Decision: The recommendation is sustained.

Corrective Action: NSF has determined that corrective actions taken by Cary Institute are responsive to the recommendation to enhance internal policies to provide guidance on foreign airfare purchases and publication charges.

NSF considers final action complete under recommendation 2.4.

Final action for Finding 2 will be complete upon repayment of \$859.

Finding 3: Indirect Cost Rates Not Appropriately Adjusted

Recommendation 3.1: Resolve the \$8,397 in questioned indirect costs for which Cary Institute has not agreed to reimburse NSF and direct it to repay or otherwise remove the sustained questioned costs from its NSF awards.

NSF's Management Decision: NSF's management decision is to sustain the recommendation but allow the questioned costs of \$8,397. The recommendation is sustained because Cary Institute, a not-for-profit entity, should have been applying indirect costs using the rate effective when the expenses were incurred. The cost of \$8,397 is allowed because NSF incorrectly advised Cary Institute as an Institution of Higher Education rather than as a not-for-profit entity.

Corrective Action: Based on the foregoing, NSF determined that no corrective action is required under recommendation 3.1. Please see corrective action taken under recommendation 3.3.

NSF considers final action complete under recommendation 3.1.

Recommendation 3.2: Direct Cary Institute to identify and remove all indirect costs that were overcharged to the sampled NSF awards because it charged indirect costs by applying rates above those included in the Negotiated Indirect Cost Rate Agreements applicable when the direct expenses were incurred on the sampled NSF awards.

NSF's Management Decision: NSF does not sustain the recommendation.

Corrective Action. Based on the foregoing, NSF determined that no corrective action is required under recommendation 3.2. Please see corrective action taken under recommendation 3.3.

NSF considers final action complete under recommendation 3.2.

Recommendation 3.3: Direct Cary Institute to update its Financial Management Procedures to require that indirect costs be charged to NSF awards using the predetermined rates in effect when it incurs expenses rather than using the predetermined rates in effect at the time NSF grants were awarded, consistent with its Negotiated Indirect Cost Rate Agreement.

Corrective Action: Cary has updated both their '*Financial Management Procedures*' and their '*Indirect Cost Policy*' to reflect the usage of the appropriate NICRA as a non-profit organization under the Uniform Guidance 2 CFR § 200.414. In addition, Cary Institute included documentation requirements for decision-making for changes in indirect cost charges.

NSF considers final action is complete under recommendation 3.3

NSF has determined that the corrective actions taken by Cary Institute are responsive to Finding 3.

Final action for Finding 3 is complete.

Finding 4: Non-Compliance with Federal Requirements for Pass-Through Entities

Recommendation 4.1: Direct Cary Institute to ensure that it has appropriately and accurately performed risk assessments for all active subawards issued prior to the implementation of its 2018 subaward policy in accordance with federal regulations.

NSF's Management Decision: NSF's management decision is to sustain the recommendation.

Corrective Action: NSF has determined that corrective actions taken by Cary Institute are responsive to the recommendation to ensure it has appropriately and accurately performed risk assessments for all active subawards. Cary Institute has updated its subaward policies including annual reviews for active subawards' and documented reviews of current active subawards.

NSF considers final action complete under recommendation 4.1.

NSF has determined that the corrective actions taken by Cary Institute are responsive to Finding 4.

Final action for Finding 4 is complete.

Finding 5: Indirect Cost Rates Applied Using Non-Negotiated Indirect Cost Rate Agreement (NICRA) Approved Rates

Recommendation 5.1: Direct Cary Institute to strengthen its monitoring procedures and internal control processes for applying indirect cost rates to federal awards. Updated procedures should ensure that Cary Institute is charging indirect costs by applying the approved rates included within its Negotiated Indirect Cost Rate Agreements.

NSF's Management Decision: NSF does not sustain the recommendation.

Corrective Action: NSF *does* agree that grantees must have internal controls to ensure that awards are not charged indirect costs in excess of the approved rates included within its Negotiated Indirect Cost Rate Agreements. Cary Institute's indirect cost rate, however, will fluctuate throughout the award period of performance. Cary Institute provided its updated 'Indirect Cost Policy,' which addresses all the requirements of this recommendation.

NSF considers final action complete under recommendation 5.1.

NSF has determined that the corrective actions taken by Cary Institute are responsive to Finding 5.

Final action for Finding 5 is complete.

Finding 6: Indirect Cost Rate Not Applied to the Appropriate Modified Total Direct Cost (MTDC) Base

Recommendation 6.1: Direct Cary Institute to strengthen its monitoring procedures to ensure it applies its indirect cost rates to all direct costs that should be included within its modified total direct cost base per its Negotiated Indirect Cost Rate Agreement.

NSF's Management Decision: NSF does not sustain the recommendation.

Corrective Action: NSF finds Cary Institute's response and policies responsive to the recommendation.

NSF considers final action complete under recommendation 6.1.

NSF has determined that the corrective actions taken by Cary Institute are responsive to the recommendation in the audit report.

Final action for Finding 6 is complete.

Finding 7: Fringe Benefits Not Charged Consistent with NICRA

Recommendation 7.1: Direct Cary Institute to meet with the National Science Foundation Cost Analysis and PreAward Branch, its cognizant federal agency, to establish a negotiated rate for fringe benefits, or establish policies and procedures to charge fringe benefits as direct costs as outlined within its Negotiated Indirect Cost Rate Agreement.

NSF Management Decision: NSF does not sustain the recommendation.

Corrective Action: NSF award funds may be requested to fund fringe benefits as a direct cost. Though these are typically determined by application of a calculated fringe benefit rate for a particular class of employee applied to the salaries and wages requested, they also may be paid based on actual costs for individual employees. Cary documented the fringe benefits costs that had been charged on NSF awards and updated its fringe benefits policies to better clarify the documentation of fringe benefits charged as direct costs.

NSF considers final action complete under recommendation 7.1.

Recommendation 7.2: Direct Cary Institute to perform a cost analysis identifying the total fringe benefit costs charged to each NSF award for the entire period of performance as compared to the total fringe benefits earned by staff throughout the same period. Cary Institute should then provide each award analysis to NSF's Resolution and Advanced Monitoring Branch for review to determine if fringe benefit were overcharged as a result of using the non-approved fringe benefit rate.

NSF Management Decision: NSF does not sustain the recommendation.

Corrective Action: NSF requires that fringe benefit charges be documented and based on actual expenses. As part of the resolution, Cary Institute agreed to perform a cost analysis of the total fringe benefits charged to each NSF award. Based on the identified fiscal years reviewed, Cary Institute undercharged its federal awards for fringe benefits. NSF determined that Cary Institute adjusts the fringe rate charged to awards regularly and maintains adequate documentation. At the end of each fiscal year, however, Cary has not been finalizing the fringe benefit amounts charged to awards. Cary Institute agreed to update its policies to reflect that actual costs (both higher and lower than projected) be finalized at the end of the fiscal year.

NSF considers final action complete under recommendation 7.2.

NSF has determined that the corrective actions taken by Cary Institute are responsive to the recommendation in the audit report.

Final action for Finding 7 is complete.

Based on the above, the total disallowed amount is \$10,038. **Repayment of \$10,038 must be made via www.pay.gov.** Please reference OIG Audit Report No. 23-1-001 in the comments section as well as on all documentation. 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 August 1, 2024. Failure to provide timely repayment may result in DFM initiating formal collection through the Department of Treasury, Debt Management Services.**

All Compliance and Internal Control Recommendations have been addressed in the audit resolution. **NSF considers all compliance recommendations closed.**

Attached is a Summary Schedule of Allowed and Disallowed Costs, which includes the Compliance and Internal Control Recommendations. Upon verification that repayment of the remaining \$10,038 of

disallowed costs has been completed, the audit report, OIG Audit Report 23-1-001 will be fully closed out by NSF.

Please be aware that Cary Institute Institute'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 June 2, 2024.

Cary Institute Institute'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 feel free to contact Liz DeHart at edehart@nsf.gov or Charlotte Grant-Cobb at cgrantco@nsf.gov.

Sincerely,

Charlotte D. Grant-Cobb, Lead Analyst
Resolution and Advanced Monitoring Branch
Division of Institution and Award Support

Attachment: Schedule of Allowed and Disallowed Costs

OIG 23-1-001 Cary Institute of Ecosystem Studies
ATTACHMENT 1: Summary Schedule of Allowed and Disallowed Costs

Finding	Audit Report Description	Questioned	Allowed	Disallowed	Pending Repayment
1	<i>Inadequately Supported Expenses</i>				
Sustained	Award No. 1637661	\$7,574	\$0	\$7,574	\$7,574
	Award No. 1456532	\$6,739	\$6,739	\$0	\$0
	Award No. 1637661	\$1,605	\$0	\$1,605	\$1,605
	Subtotal Finding 1	\$15,918	\$6,739	\$9,179	\$9,179
2	<i>Unallocable and Unreasonable Costs</i>				
Sustained	Award No. 1855277	\$7,850	\$7,850	\$0	\$0
	Award No. 1702991	\$859	\$0	\$859	\$859
	Subtotal Finding 2	\$8,709	\$7,850	\$859	\$859
3	<i>Unallowable Indirect Costs</i>				
Sustained	Award No. 1637661	\$81	\$81	\$0	\$0
	Award No. 1637661	\$3,236	\$3,236	\$0	\$0
	Award No. 1637661	\$0	\$0	\$0	\$0
	Award No. 1721163	\$277	\$277	\$0	\$0
	Award No. 1721163	\$1,405	\$1,405	\$0	\$0
	Award No. 1716066	\$1,199	\$1,199	\$0	\$0
	Award No. 1716066	\$173	\$173	\$0	\$0
	Award No. 1717282	\$86	\$86	\$0	\$0
	Award No. 1717282	\$702	\$702	\$0	\$0
	Award No. 1702991	\$522	\$522	\$0	\$0
	Award No. 1855277	\$0	\$0	\$0	\$0
	Award No. 1855277	\$200	\$200	\$0	\$0
	Award No. 1556246	\$138	\$138	\$0	\$0
	Award No. 1556246	\$294	\$294	\$0	\$0
	Award No. 1456532	\$0	\$0	\$0	\$0
	Award No. 1754363	\$84	\$84	\$0	\$0
	Subtotal Finding 3	\$8,397	\$8,397	\$0	\$0
4	<i>Inappropriately Allocated Expenses</i>				
Sustained	Multiple awards	\$0	\$0	\$0	\$0
5	<i>Inappropriately Allocated Expenses</i>				
Not Sustained	Multiple awards	\$0	\$0	\$0	\$0
6	<i>Inappropriately Allocated Expenses</i>				
Not Sustained	Multiple awards	\$0	\$0	\$0	\$0

7	<i>Inappropriately Allocated Expenses</i>				
Not Sustained	Multiple awards	\$0	\$0	\$0	\$0
TOTALS		\$33,024	\$22,986	\$10,038	\$10,038

OIG 23-1-001 Cary Institute of Ecosystem Studies ATTACHMENT 1 (continued)

COMPLIANCE AND INTERNAL CONTROL RECOMMENDATIONS

Finding	Recommendation(s)	Final Action Required
1	3	No
2	3-4	No
3	2-3	No
4	1	No
5	1	No
6	1	No
7	1-2	No