

# ***TIGER TIPS***

## ***RESOURCES FOR AUBURN RESEARCHERS***

### **COMMON NSF OIG AUDIT FINDINGS<sup>i</sup>**

The Inspector General Act of 1978 established the Offices of Inspectors General (OIG) and outlined their roles, duties, and powers. OIG's provide independent and objective oversight of their agencies and are tasked with three broad purposes:

- 1) to conduct and supervise audits and investigations relating to the programs and operations of their agency;
- 2) to provide leadership, coordination, and recommended policies for activities designed to promote economy, efficiency, and effectiveness, and to prevent and detect fraud and abuse; and
- 3) to communicate to agency heads and Congress regarding problems and deficiencies relating to the administration of agency programs and operations.

There are two common areas in which the National Science Foundation (NSF) OIG has consistently identified instances of noncompliance: travel and spending funds near award expiration.

#### **Travel Findings**

When reviewing travel expenditures, it is important to not only judge the expenditure against the government's travel regulations and Auburn's travel policies, but to also apply broader *allocability* and *allowability* criteria as well. The need to review and apply so many rules to common expenditures provides many opportunities for errors, oversights, misunderstandings, and misinterpretations. The bullet points below highlight a few important considerations to take into account when reviewing and approving travel expenditures funded by NSF grants:

- Auditors have often identified Principal Investigators who charged travel costs to awards that have extra funds available and are nearing expiration rather than charging the costs to the award(s) that truly benefited from the travel. For this reason, it is important to ensure supporting documentation clearly illustrates that the travel was necessary, reasonable, and benefited the award charged, especially if the travel takes place near the end of an award.
- It is important to ensure travel costs are supported by source documentation. Travel costs that either are not supported by documentation (e.g. receipts) or are supported by illegible documentation will result in questioned costs.
- Business and first-class airfare will always receive extra scrutiny from auditors. The Uniform Guidance provides specific exceptions where business and first-class airfare is allowable, but an

organization must clearly document the existence of one of those exceptions within the applicable supporting documentation. In many circumstances, awardee organizations either do not question travelers on the need for business or first-class airfare or neglect to document which specific exception under the Uniform Guidance makes the excess airfare costs allowable.

- The NSF Proposal & Award Policies & Procedures Guide (PAPPG) states travelers must comply with the Fly America Act. The Fly America Act requires travelers to use United States carriers if they are traveling on funds provided by the federal government. This is an often-overlooked requirement when Principal Investigators and other grant personnel travel internationally.

### **Spending Near Award Expiration**

Costs that are incurred near the end of an award are often allowable and necessary. However, these costs will always receive extra scrutiny from auditors to ensure organizations are not using surplus funds on items that either are not necessary or do not benefit the award. The bullet points below highlight steps auditors will conduct when reviewing these expenditures, as well as best practices that have been observed throughout the research community:

- When conducting their evaluation, the auditors will first ensure the costs are allocable to the award. For example, if the organization purchased equipment, the auditors will confirm the equipment benefited the award the organization charged.
- Second, the auditors will verify the costs were necessary and reasonable for the administration and performance of the award. For example, if the organization purchased a new computer in the final week of an award, the auditors will review all available information to determine whether it was reasonable and necessary to make that purchase. This is why it is of the utmost importance for organizations to retain strong supporting documentation and to review all such expenditures with a skeptical eye.
- The Uniform Guidance defines a reasonable cost as one that a “prudent person” would have made under similar circumstances. Because of the subjectivity of this criteria, this is an area where there is often disagreement between auditees, auditors, and NSF staff responsible for resolving audit findings. Taking an approach of professional skepticism when reviewing these types of purchases will help avoid questioned costs.
- Over the course of several years and dozens of audits, NSF OIG has observed best practices in this area include providing extra scrutiny over costs incurred in the final months of an award and ensuring supporting documentation not only illustrates that a cost was incurred, but also clearly demonstrates the cost was allocable, reasonable, necessary, and benefited the award.

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