




**National Science Foundation • Office of Inspector General**  
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

MEMORANDUM

Date: February 5, 2013

To: Mary F. Santonastasso, Director  
Division of Institution and Award Support

Karen Tiplady, Director  
Division of Grants and Agreements

From: Dr. Brett M. Baker   
Assistant Inspector General for Audit

Subject: Audit Report No. OIG-13-1-002  
Jackson State University

This memo transmits Mayer Hoffman McCann's report for the audit of the claimed costs made on 31 NSF awards granted to Jackson State University (JSU), totaling \$19.4 million, reported on the Federal Financial Report (FFR) submitted for the reporting period ended September 30, 2011. The audit objectives were to identify costs claimed on the NSF awards that were not allocable, allowable and reasonable, and determine if JSU had properly accounted for, segregated, and reported the funds for two American Reinvestment and Recovery Act (ARRA) NSF awards.

The auditors questioned \$943,474.74 of claimed costs, of which \$99,935.19 are unallowable charges to the NSF awards due to errors in remission of fee charges, unallocable equipment costs and excess indirect costs. The remaining \$843,539.55 are questioned due to lack of or inadequate documentation to support the allowability, allocability and reasonableness of the payroll charges and vendor purchases. Additionally, the auditors found that JSU had properly accounted for and segregated the NSF American Reinvestment Recovery Act funds awarded for award nos. 0840450 and 0906945 in its accounting system, and, submitted accurate and timely quarterly ARRA reports. The audit identified \$13,428.34 of questioned labor costs, which is part of the \$943,474.74 of total questioned costs, being claimed to ARRA Award No. 0906945 due to insufficient supporting documentation. No questioned costs were identified under ARRA Award No. 0840450.

The auditors recommended that NSF address with JSU and resolve the questioned costs, and ensure that JSU's new or expanded policies and procedures are implemented, where appropriate. JSU, in its response dated November 9, 2012, agreed with the questioned indirect costs of

\$83,843.90 identified in Finding 1 and the questioned remission of fees of \$701.29 identified in Finding 2, and stated that adjustments had been made to correct the amounts in question. However, JSU did not agree with the equipment costs of \$15,390 that the auditors questioned due to unallocability in Finding 2 and majority of the questioned costs that the auditors questioned due to lack of or inadequate supporting documentation in Finding 3. JSU's response is described after the findings and recommendations and is included in its entirety in Appendix B.

Please coordinate with our office during the six month resolution period, as specified by OMB Circular A-50, to develop a mutually agreeable resolution of the audit findings. Also, the findings should not be closed until NSF determines that all recommendations have been adequately addressed and the proposed corrective actions have been satisfactorily implemented.

### OIG Oversight of Audit

To fulfill our responsibilities under Government Auditing Standards, the Office of Inspector General:

- Reviewed Mayer Hoffman McCann's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with Mayer Hoffman McCann and NSF officials, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report, prepared by Mayer Hoffman McCann to ensure compliance with Government Auditing Standards; and
- Coordinated issuance of the audit report.

Mayer Hoffman McCann is responsible for the attached auditor's report on Jackson State University and the conclusions expressed in the report. We do not express any opinion on the conclusions presented in Mayer Hoffman McCann's audit report.

We thank your staff for the assistance that was extended to our auditors during this audit. If you have any questions regarding this report, please contact Jannifer Jenkins at 703-292-4996.

Attachment

cc: Alex Wynnyk, Branch Chief, CAAR  
Dr. G. P. Peterson, Head of Audit & Oversight Committee, National Science Board

**Jackson State University**  
1400 J.R. Lynch Street  
P.O. Box 17329  
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Independent Auditors' Report on  
Performance Audit of Incurred Costs  
For  
National Science Foundation Awards  
On the Federal Financial Report  
For the Period Ended September 30, 2011

**Mayer Hoffman McCann P.C.**  
2301 Dupont Drive, Suite 200  
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# Jackson State University

## Independent Auditors' Report on Performance Audit of Incurred Costs For National Science Foundation Awards On the Federal Financial Report For the Period Ended September 30, 2011

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## **INTRODUCTION**

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### **National Science Foundation**

The National Science Foundation (NSF) is an independent federal agency created by Congress in 1950 to promote the progress of science, to advance the national health, prosperity, and welfare, and to secure the national defense. The NSF is the funding source for approximately 20 percent of all federally supported basic research conducted by America's colleges and universities. NSF issues awards to universities, individuals, and small groups of investigators and provides funding for research centers, instruments and facilities that allow scientists, engineers and students to work at the outermost frontiers of knowledge.

### **Jackson State University**

Jackson State University (JSU) is an educational institution located in Jackson, Mississippi. It offers both undergraduate and graduate degree programs under its five academic divisions and five academic colleges. It is supported by legislative appropriations supplemented by student fees and federal and private grants. The stated mission of JSU is to produce broadly-educated graduates that are prepared for global engagement and to promote excellence in scholarly and service activities consistent with its academic and professional strengths.

The Federal Financial Report (FFR) submitted by JSU for the reporting period ended September 30, 2011 includes 37 NSF awards with total funding of \$33.9 million. Among the 37 NSF awards, JSU claimed total expenditures of \$19.4 million on 31 awards and no expenditure was claimed for the remaining 6 awards.

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## **AUDIT OBJECTIVES**

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The firm of Mayer Hoffman McCann P.C. was engaged by the NSF's Office of Inspector General (OIG) to conduct a performance audit to determine the allowability of costs claimed by JSU on the Federal Financial Report (FFR) submitted for the reporting period ended September 30, 2011. The NSF awards covered by the audit are listed at **Appendix A**. The specific objectives of the audit of NSF funds at JSU were 1) to identify costs claimed on the NSF awards that are not allocable, allowable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal grant requirements for the expenses that were recorded by JSU on its general ledgers and claimed on its September 30, 2011 FFR submitted to NSF, and 2) to assess the adequacy of JSU's accounting system to properly account for, segregate and report the use of American Recovery and Reinvestment Act (ARRA) funds.

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## SUMMARY OF AUDIT RESULTS

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The audit resulted in the identification of \$943,474.74 of questioned costs, of which \$99,935.19 are unallowable charges to the NSF awards due to errors in remission of fee charges, unallocable equipment costs and excess indirect costs. The remaining \$843,539.55 is questioned due to lack of or inadequate documentation to support the allowability, allocability and reasonableness of the payroll charges and vendor purchases. Exhibit A of this report presents the total amount of questioned costs by award and by cost category. Exhibit B of this report details the amounts of questioned costs by finding and transaction.

There are two NSF ARRA funded awards covered by our audit. Our procedures indicated that JSU had properly accounted for and segregated in its accounting system the NSF ARRA funds awarded for Award Nos. 0840450 and 0906945. In addition, we reviewed the quarterly ARRA reports of the two ARRA-funded awards to verify completeness and timeliness with no exceptions noted. Award No. 0840450 provided for equipment expenditures only. Therefore, no jobs were created under the award. For Award No. 0906945, we verified that one job was created under the award. The allowability of the costs reported for these awards were sampled and tested in conjunction with the other NSF awards. The audit identified \$13,428.34 of questioned labor costs, which is part of the \$943,474.74 of total questioned costs, being claimed to ARRA Award No. 0906945 due to insufficient supporting documentation. No questioned costs were identified under ARRA Award No. 0840450.

JSU responded to the draft report and we summarized the response briefly after each finding and included JSU's response in its entirety in Appendix B. JSU also submitted additional documentation after the issuance of the draft report that we reviewed and had NSF-OIG provide to NSF's Division of Institution and Award Support.

JSU agreed with the questioned indirect costs of \$83,843.90 identified in Finding 1 and the questioned remission of fees of \$701.29 identified in Finding 2, and stated that adjustments had been made to correct the amounts in question. However, JSU did not agree with the equipment costs of \$15,390 that we questioned due to unallocability in Finding 2 and the majority of the questioned costs that we questioned due to lack of or inadequate supporting documentation in Finding 3.

We recommended that NSF's Director of the Division of Institution and Award Support address with JSU and resolve the questioned costs cited above and ensure that JSU's new or expanded policies and procedures are implemented where appropriate.

*Mayer Hoffman McCann P.C.*

Mayer Hoffman McCann P.C.  
Irvine, California  
January 29, 2013

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## FINDINGS

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### **Finding 1: Excess Indirect Costs of \$83,843.90 Was Claimed**

JSU claimed excess indirect costs of \$83,526.02 on four NSF awards primarily because JSU erroneously included participant support costs and subaward costs in excess of the first \$25,000 in the indirect cost base to determine the indirect costs charged to four NSF awards. In addition, on one other NSF award, the amount of indirect costs claimed on the award exceeded the approved fixed dollar amount of the award by \$317.88.

2 CFR 220, Cost Principles for Educational Institutions (OMB Circular A-21), Appendix A to Part 220 – Principles for Determining Costs Applicable to Grants Contracts, and Other Agreements with Educational Institutions, Section G.2 states: “The distribution basis. F&A costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function (see Section B.1) on the basis of modified total direct costs, consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs.”

The NSF Grant Policy Manual, Section 633.2, specifies that NSF generally provides no amounts for indirect costs for participant support costs. The NSF Grant Policy Manual, Section 633.1, b.4, also states that a fixed dollar amount limits grantees to the “amount” of indirect costs specified in the approved budget.

Out of the 31 NSF awards covered by the audit, JSU claimed indirect costs on 27 NSF awards. We reviewed the indirect costs claimed by JSU on all these 27 NSF awards and found that JSU over-claimed indirect costs for the following awards and amounts.

<b>Award No.</b>	<b>Excess Indirect Costs Claimed*</b>
0734645	\$ 39,609.93
0831921	37,227.29
0847549	6,138.04
0929591	317.88
1031404	550.76
<b>Total Unallowable Indirect Costs:</b>	<b>\$ 83,843.90</b>

\* See calculation details at Exhibit B, Finding 1.

For Award Nos. 0734645, 0847549 and 1031404, JSU erroneously included participant support costs of \$86,108.30, \$12,400 and \$1,112.66, respectively, in the calculation of indirect costs claimed on the award. For Award No. 0831921, JSU erroneously included excess subaward costs of \$80,928.64 beyond the allowable amount of \$25,000 in the indirect cost calculation. For Award No. 0929591, total indirect costs claimed on the award were \$15,317.88, which exceeds the approved fixed dollar amount of \$15,000 of the award budget by \$317.88.

The application of the indirect cost rate to the allowable cost categories of an award and the dollar amount limit is set up in JSU’s accounting system at the inception of the award in accordance with the award budget and JSU’s College and University Rate Agreement with the U.S. Department of Health and Human Services. Once it is set up, the accounting system will

automatically apply the indirect cost rate and record an indirect cost transaction on the general ledger, when a transaction under the allowable cost categories is charged to the award. For these five awards, JSU did not carefully review the indirect cost application set up in its accounting system to ensure that the indirect cost rate was only applied to the allowable cost categories and the dollar amounts claimed were within the award budget. Without adequate verification of the accounting system's controls, there is no assurance that these problems would not happen on other NSF awards.

After we had informed JSU about the problems found during the course of our audit, JSU performed corrective actions to remove the excess indirect costs from the awards in question. JSU provided journal entry documents to support that the unallowable indirect costs claimed to the above NSF awards had been removed from the general ledgers. JSU also stated that it would reduce the amount of the next drawdown by the amount in question.

### **Recommendation No. 1**

We recommend that NSF's Director of the Division of Institution and Award Support address and resolve the following recommendation that JSU:

- a. Review and strengthen its indirect cost application set-up procedures and existing policies to ensure that only allowable cost categories and any dollar amount limits are included in the indirect cost calculation.
- b. Work with NSF to resolve the questioned costs cited above.

### **Awardee's Comments**

JSU agrees with the findings and has made the appropriate adjustment to the awards of the overdrawn amount of \$83,843.90 in the September 2012 drawdown. JSU requests that the total amount of \$83,843.90 be removed from the auditor's report.

In addition to JSU's current procedure of requesting reimbursements on a monthly basis, unless the grant stipulates otherwise, the following steps will be implemented: (1) ensure that there is a monthly review of the indirect cost calculations; and (2) review all new and continuous budget setup to ensure that exclusion of certain cost categories are adhered to.

### **Auditors' Response**

JSU's comments are responsive to the finding and recommendation. However, since the excess indirect costs of \$83,843.90 were identified from the audit, the amount will not be removed from the auditors' report. The finding should not be closed until NSF determines that the recommendation has been adequately addressed, the proposed corrective actions have been satisfactorily implemented and NSF has resolved the questioned costs.



**Finding 2: Unallowable Equipment and Fringe Benefit Costs Totaling \$16,091.29 Were Claimed on the NSF Awards**

We found that unallowable equipment costs of \$15,390 and fringe benefits of \$701.29 were charged to the NSF awards. As such, we questioned a total of \$16,091.29.

<b>Cost Category</b>	<b>Direct Costs Questioned</b>	<b>Associated Indirect Costs Questioned*</b>	<b>Total Unallowable Costs Questioned</b>
Equipment	\$ 15,390.00	\$ -	\$ 15,390.00
Fringe Benefits	701.29	-	701.29
<b>Total:</b>	<b>\$ 16,091.29</b>	<b>\$ -</b>	<b>\$ 16,091.29</b>

\* See calculation details at Exhibit B, Finding 2.

2 CFR 220, Cost Principles for Educational Institutions (OMB Circular A-21), Appendix A to Part 220 – Principles for Determining Costs Applicable to Grants Contracts, and Other Agreements with Educational Institutions, subsection C.2 states in part: “The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein”. Subsection C.4.a states in part: “A cost is allocable to a particular cost objective (*i.e.*, a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or it is necessary to the overall operation of the institution and, in light of the principles provided in this Appendix, is deemed to be assignable in part to sponsored projects.”

**Equipment Costs**

We questioned equipment costs of \$15,390 charged to Award No. 0811807 because the amount JSU claimed was not allocable to the award and had no value to accomplish the award objectives. The costs charged to Award No. 0811807 were for four laptop computers purchased at the end of the award period. Therefore, the four laptop computers did not benefit the award.

<b>Award No.</b>	<b>Unallocable Equipment Costs Questioned</b>
0811807	\$ 15,390.00
<b>Total:</b>	<b>\$ 15,390.00</b>

We sampled 9 transactions of equipment costs claimed and found that 1 transaction for the purchase of equipment does not appear allocable to the award. The transaction was for the purchase of four laptop computers in a total amount of \$15,390 under Award No. 0811807. The award period of Award No. 0811807 was from September 15, 2008 to August 31, 2011. According to the purchase order of the four laptop computers, the purchase was made on August 29, 2011, which is two days before the award period ended. We performed an observation of the four laptop computers on July 27, 2012 at JSU's campus and found that the four laptops were still kept inside the original package in the Principal Investigator (PI)'s office. According to the PI, the objective of the award is to establish an electrical engineering program at JSU. The program will start in the fall of 2012 and students will be enrolled at the same time.

Since the four laptop computers in question will be used when the program starts in the fall of 2012, the best time to purchase the laptop computers was the end of the award period.

Based on the review of the award document and budget, as well as the annual report submitted by JSU to NSF, it appears, however, that the four laptop computers are not allocable to Award No. 0811807. In addition, these laptop computers were not approved under the award budget. The award proposal indicates that the first objective of the award was to develop new courses for the electrical engineering program at JSU and the fourth objective of the award was to teach the newly developed courses at JSU in the spring of 2009. Because of the new courses, JSU expected the number of student enrollment in the electrical engineering program would increase and the usage of its computer labs would also rise. In order to accommodate the expected increase in usage of the computer labs after the inception of the new courses, the third objective of the award was the acquisition of laboratory equipment to build four work stations, but not the purchase of four laptop computers, in the computer labs. Therefore, the purpose of the purchase of the laboratory equipment to build the four work stations is to benefit the fourth objective of the project. The award proposal also indicates that the time estimated to complete the acquisition is 6 months start from the fifth month after the beginning of the project and the laboratory equipment would be purchased from a vendor named Agilent Technologies. According to the annual report of the award for the period September 2009 – August 2010 submitted by JSU to NSF, the approved acquisition of laboratory equipment was 100% completed in the first quarter of 2010 and the new courses were started in the fall of 2010. We also reviewed the general ledger of the award and found that JSU had already purchased the budgeted laboratory equipment from Agilent Technologies in 2009 and 2010 but the four laptop computers were purchased on August 29, 2011 from another vendor two days before the end of the award period in August 2011. Therefore, we do not believe the computers benefited the purpose of the award.

Fringe Benefits

JSU claimed employee remission of fees of \$701.29 that do not have the corresponding salary transactions to support the amount claimed. As such, we questioned the amount claimed as unallowable costs. The following table presents the questioned remission of fees by award.

Award No.	Unallowable Remission of Fees Questioned
0611539	██████████
0831921	██████████
0929591	██████████
<b>Total:</b>	<b>\$ 701.29</b>

We traced a total of 466 transactions of employee remission of fees claimed to the corresponding salary transactions and found that 3 transactions did not have the corresponding salary transactions to support the remission of fees claimed. For Award Nos. 0611539 and 0831921, the original corresponding salary transactions charged to the awards had been adjusted out from the general ledgers of the awards; however, the associated remission of fees charged to the awards were not adjusted out at the same time. For Award No. 0929591, the award only has participant support costs budgeted and there was no salary charged to the award; however, we noted that remission of fees of \$██████████ was charged to the award.

JSU charged remission of fees of ██████████ of certain full time employees' salary as part of the fringe benefits to the NSF awards. According to JSU personnel, the calculation and entries of

the remission of fees charged to an award are manually performed based on the corresponding individual salary transactions charged to the award. For the exceptions noted, JSU personnel overlooked that the original corresponding salary transactions had been adjusted out and, therefore, failed to remove the associated remission of fees claimed.

## **Recommendation No. 2**

We recommend that NSF's Director of the Division of Institution and Award Support address and resolve the following recommendation that JSU:

- a. Review and strengthen its procurement policy to ensure that only allocable expenditures are claimed to federal awards.
- b. Work with NSF to resolve the questioned costs cited above.

## **Awardee's Comments**

### Equipment Costs

JSU disagrees with the auditor's subjective questioned costs of \$15,390 charged to Award No. 0811807 because the amount JSU claimed was not allocable and had no value to accomplish award objectives. The award was designed to establish an electrical engineering program that included purchase of laboratory equipment. Awardee was granted a one year no-cost extension to complete project objectives. Four laptops were purchased towards the end of the grant instead of the beginning from another vendor to reduce purchase price and to complete equipment (computers) for the students' laboratory for on-going programming per the revised budget approved by NSF. The laptops are critical and a necessary purchase to meet the needs of more than 60 students in the new program over time in accordance with project approved proposal goals. In addition, the purchase of the four laptops which have since been set-up in the lab were done within the approved program budget. Therefore, JSU believes the computers benefitted and continue to benefit the award. JSU requests that the purchase costs should be allowable, allocable, and reasonable costs to the project. JSU requests that the total amount of \$15,390 be removed from the auditors' report.

### Fringe Benefits

JSU agrees with the findings and has made the appropriate adjustments to remove the remission of fees of \$701.29 charged to the awards.

### Travel Expenses

JSU disagrees with the auditors' opinion of unallowable travel expenses. The travel expenses are within the scope of the award. The additional support reflects that the travel expenses of \$93.38 and its associated indirect cost of \$ [REDACTED] charged to Award No. 0611539 is not a duplicate expense. The payment was generated by the system based upon the invoice being processed against the encumbrance number. The invoice total was redistributed by the assigned percentages of each line on the encumbrance. JSU no longer processes payments based upon this method. JSU now enters the amounts of each line as written on the

reimbursement report. JSU requests that the total amount of \$██████ be removed from the auditor's report.

JSU disagrees with the auditors' questioned costs of \$1,800.27 charged to Award No. 0929591 because the transaction expense was for the Principal Investigator (PI); however the only approved and budgeted cost category of this award was participant cost. The PI travel was included in the participant support line in the award. Since participant support cost is such a broad account classification, JSU has to establish separate account codes to segregate costs. The objective of the award is to establish a secure pathway for underrepresented minority students to obtain doctoral degrees in Science, Technology, Engineering and Mathematics. One of the goals of the award is to provide international research experiences for the program students through international internships in China. All organized student travel domestic or international must be initiated, planned and arranged by a member of the university's faculty or staff per the university's guidelines for student travel. Its purpose is to provide procedures which promote student safety and improve accountability; therefore, the PI was required to accompany students on the trip. JSU believes this expense is allowable, allocable and beneficial to the project. JSU requests that the total amount of \$1,800.28 be removed from the auditors' report.

Other Direct Costs

JSU believes that the transaction of \$1,995 for the purchase of food for mentors and mentees and the indirect cost of ████████ charged to Award No. 0602740 are allowable expenses within the scope of the award in which only one charge is reflected for the questioned amount. The additional documentation provided together with the responses to the draft audit report support the amount claimed.

**Auditors' Response**

Equipment Costs

We do not agree JSU's comments that the four laptops benefitted the award and that the purchase of the four laptop computers which have since been set-up in the computer labs were done within the approved program budget. According to the award documents, the objective of the purchase of the computer equipment is to accommodate the expected increase in usage of the computer labs after the inception of the new electrical engineering courses. The award period started in September 2008 and the original start date of the new courses was the spring of 2009. However, due to project delay, the new courses were started in the fall of 2010. As such, JSU was granted a one-year no-cost extension to extend the award period to August 31, 2011 to allow JSU enough time to evaluate the impact of the new electrical engineering program. In order to meet the objective of the project, the computer equipment should have been purchased before or by the fall of 2010 when the new courses started, instead of two days before the end of the award period on August 31, 2011, so that the students of the new courses could use the equipment during the courses. Also, according to the annual report of the award for the period September 2009 – August 2010 submitted by JSU to NSF, the approved acquisition of laboratory equipment was 100% completed in the first quarter of 2010. Therefore, JSU's comments are not consistent with the information on JSU's annual report of the award. The comments are also inconsistent with the explanation provided by the Principal Investigator (PI) of the award as stated in the finding. In addition, as previously mentioned, we performed an observation of the four laptop computers on July 27, 2012 at JSU campus and found that the

four laptops were still kept inside the original package and boxes in the PI's office, instead of having been set up and ready for use in the computer laboratory.

Fringe Benefits

JSU's comments are responsive to the finding. However, since the unallowable remission of fees of \$701.29 was identified from the audit, the amount will not be removed from the auditors' report.

Travel Expenses

Based on the additional documentation provided by JSU with its responses to the draft audit report, the travel expenses of \$93.38 and the associated indirect costs of ██████ charged to Award No. 0611539, as well as the travel expenses of \$1,800.27 charged to Award No. 0929591 are accepted and the questioned amounts have been removed.

Other Direct Costs

Based on the additional documentation provided by JSU with its responses to the draft audit report, the transaction of \$1,995 for the purchase of food for mentors and mentees and the associated indirect costs of ██████ charged to Award No. 0602740 are accepted and the questioned amount has been removed.

However, the finding should not be closed until NSF determines that the recommendation has been adequately addressed, the proposed corrective actions have been satisfactorily implemented and NSF has resolved the questioned costs.

**Finding 3: Expenses Totaling \$553,316.57 Charged to the NSF Awards Lacked Support or Were Inadequately Supported**

We found that the allowability, allocability and reasonableness of expenditures totaling \$553,316.57 charged to the NSF awards were either unsupported or not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21) and the NSF Grant Policy Manual. As a result, we also questioned the associated indirect costs claimed of \$[REDACTED] and the associated fringe benefits claimed of [REDACTED]. In our draft audit report, we had originally questioned total costs of \$1,074,579.89 due to lack of or inadequate supporting documentation. After reviewing the additional documentation submitted by JSU together with its responses to the draft audit report, we accepted part of the documentation provided and reduced the revised questioned amount to \$553,316.57. The following table presents the original and revised amounts questioned for each cost category due to lack of or inadequate supporting documentation for the expenses claimed on the NSF awards.

Cost Category	Original Amount Questioned	Additional Supporting Documents Accepted	Revised Amount Questioned	Associated Indirect Costs Questioned*	Associated Fringe Benefits Questioned#	Total Revised Amount Questioned
Salaries and Wages	\$ 348,972.59	\$ -	\$348,972.59	[REDACTED]	[REDACTED]	\$ [REDACTED]
Equipment	6,177.82	-	6,177.82	[REDACTED]	-	[REDACTED]
Travel	30,531.10	10,546.60	19,984.50	[REDACTED]	-	[REDACTED]
Participant Support	604,198.48	435,510.45	168,688.03	[REDACTED]	-	[REDACTED]
Materials and Supplies	2,852.34	2,852.34	-	[REDACTED]	-	[REDACTED]
Publication	6,028.85	5,716.09	312.76	[REDACTED]	-	[REDACTED]
Consultant Services	14,003.61	13,503.61	500.00	[REDACTED]	-	[REDACTED]
Computer Services	179.95	179.95	-	[REDACTED]	-	[REDACTED]
Subawards	14,741.38	14,741.38	-	[REDACTED]	-	[REDACTED]
Other	46,893.77	38,212.90	8,680.87	[REDACTED]	-	[REDACTED]
<b>Total:</b>	<b>\$1,074,579.89</b>	<b>\$521,263.32</b>	<b>\$553,316.57</b>	[REDACTED]	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>

\* See calculation details at Exhibit B, Finding 3.

# Questioned fringe benefits include FICA, workers’ compensation, group life insurance, health insurance, employee retirement match and unemployment tax. The percentage of each component is based on the amount of each component and the total salaries and wages claimed to each individual award. See the last page of Exhibit B for the percentages of fringe benefits and indirect cost rates questioned.

2 CFR 220, Cost Principles for Educational Institutions (OMB Circular A-21), Appendix A to Part 220 – Principles for Determining Costs Applicable to Grants Contracts, and Other Agreements with Educational Institutions, subsection C.2 states in part: “The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein”. Subsection C.4.a states in part: “A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or it is necessary to the overall operation of the institution and, in light of the principles provided in this Appendix, is deemed to be assignable in part to sponsored projects.”

Salaries and Wages

JSU claimed salaries and wages of \$348,972.59 that were not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21) and its own Personnel Activity Reports (Time and Effort) policy. The following table presents the salaries and wages, as well as the associated indirect costs and fringe benefits being questioned by award. The questioned costs primarily resulted from lack of Personnel Activity/Time and Effort Reports (PARs) to support the salaries and wages claimed and issues on the PARs submitted by JSU. As a result, we questioned labor costs claimed by JSU in a total amount of [REDACTED] including salaries and wages of \$348,972.59, the associated indirect costs of [REDACTED] and the associated fringe benefits of [REDACTED].

Award No.	Salary or Wages Questioned	Associated Indirect Costs Questioned*	Associated Fringe Benefits Questioned#	Total Labor Costs Questioned
0602740	[REDACTED]	\$ [REDACTED]	[REDACTED]	[REDACTED]
0611539	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0734645	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0751515	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0755433	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0811807	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0831921	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0833178	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0837395	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0847549	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0851646	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0906945	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0940573	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0941959	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
0965961	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1008708	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1031404	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1036328	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1042326	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1062118	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total:</b>	<b>\$ 348,972.59</b>	<b>\$ [REDACTED]</b>	[REDACTED]	[REDACTED]

\* See calculation details at Exhibit B, Finding 3.

# Questioned fringe benefits include FICA, workers' compensation, group life insurance, health insurance, employee retirement match and unemployment tax. The percentage of each component is based on the amount of each component and the total salaries and wages claimed to each individual award.

2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21), Appendix A to Part 220 – Principles for Determining Costs Applicable to Grants Contracts, and Other Agreements with Educational Institutions, subsection J.10.a. states in part: “Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements ... These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&A costs are determined and supported as provided below.”

According to JSU's Personnel Activity Reports (Time and Effort) policy, the Personal Activity Report/Time and Effort Report must be completed by university employees with part or all of his/her salary allocated to a grant. Each Principal Investigator (PI) is required to submit the Personnel Activity/Time and Effort Reports for all employees to the Sponsored Programs/Research Compliance Coordinator on the last working day of the month. Each Personnel Activity/Time and Effort Report must be signed by the employee and the PI or Project Director responsible for having first-hand knowledge of the employee's work.

2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21), Appendix A to Part 220 – Principles for Determining Costs Applicable to Grants Contracts, and Other Agreements with Educational Institutions, subsection J.10.b.(1) states in part: “(a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities ... (d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection J.10.b.(2). Subsection J.10.b.(2) Criteria for Acceptable Methods, states “(b) The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.”

2 CFR 220, Subsection J.10.c.(2) After-the-fact Activity Records requires that “Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below. (a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for incidental work as described in subsection a need not be included). (b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records. (c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed. (d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection J.10.b.(2)(c) of this Appendix. (e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods. (f) Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections J.10.c.(2)(a) through (e) of this Appendix.”



We sampled a total of 190 transactions to test salaries and wages charged to JSU's NSF awards. The following table presents the amount of questioned costs by reason.

Reason for Questioned Costs	No. of Transactions	Salary and Wages Questioned	Associated Indirect Costs Questioned*	Associated Fringe Benefits Questioned#	Total Labor Costs Questioned
No Personnel Activity/Time and Effort Reports During the Audit	52	\$172,212.50			
Allocation of Labor Costs Not Adequately Supported by Personnel Activity/Time and Effort Reports or Timesheets	28	73,809.57			
Personnel Activity/Time and Effort Reports Not Prepared On An After-The-Fact Basis	26	54,223.17			
Personnel Activity/Time and Effort Reports Provided Not Adequate to Support Amount Claimed	16	38,989.79			
Salaries Claimed Not Supported by Payroll Registers	2	9,737.56			
<b>Total:</b>	<b>124</b>	<b>\$348,972.59</b>			

\* See calculation details at Exhibit B, Finding 3.

# Questioned fringe benefits include FICA, workers' compensation, group life insurance, health insurance, employee retirement match and unemployment tax. The percentage of each component is based on the amount of each component and the total salaries and wages claimed to each individual award. See the last page of Exhibit B for the percentages of fringe benefits and indirect cost rates questioned.

JSU did not provide Personnel Activity/Time and Effort Reports (PARs) to support salaries and wages charged the NSF awards for 52 transactions during our audit. In several cases, the PARs provided by JSU were for the incorrect pay periods or awards. For certain transactions in question, JSU explained that the employees were on a 9-month academic year contract but the employee also worked during the summer months. Therefore, they received compensation for the work performed in the summer months and no PARs were prepared. For certain other transactions, JSU explained that the employees received a fixed dollar of appropriation from the awards to work on the awards for a fixed period of time and, therefore, no PARs were prepared. However, without a PAR to certify that an employee actually worked on an award and the percentage of time effort spent on the award, we were unable to determine if the amount of salary or wage charged to the award is allowable, allocable and reasonable. After the issuance of the draft audit report, JSU submitted copies of the PARs and other documentation to support the 52 transactions in question. However, due to the deficiencies in JSU's labor time and effort reporting system identified during our audit, we were unable to determine the validity of these PARs. In addition, in some cases, JSU only submitted documentation, such as the Notice of Personnel Action Forms and internal requests for compensation, etc., to support the transactions in question, instead of the PARs. These documents were not prepared on an after-the-fact basis and could not be considered as adequate documentation to support the labor cost allocations. As a result, we questioned the salaries and wages of \$172,212.50 claimed, as well as the associated indirect costs of [REDACTED] and fringe benefits of \$ [REDACTED].

We found that the amounts of salaries and wages allocated to the NSF awards for 28 transactions in our sample were not fully supported by the percentages of time and effort recorded on the Personnel Activity/Time and Effort Reports (PARs) or employee timesheets provided by JSU. For instance, 100% of an employee's monthly salary was charged to a NSF

award; however, the PAR showed that the employee spent 40% of time and effort on the NSF award during the month. We also found a couple of transactions that JSU had submitted two PARs of an employee for the same transaction/pay period but the percentage of time and effort recorded on the PARs are different. For some other transactions, we noted that an employee worked on two awards and prepared two separate PARs for the awards; however, each PAR showed that the employee had spent 100% of time and effort on the award. For two transactions, spreadsheets were used to record the number of over-time hours an employee had worked. However, the spreadsheets did not indicate on which award that the employee had worked. In addition, we noted that the employee's hourly rate increased significantly from \$20 per hour during June – July 2010 to \$40 per hour during September – November 2010, which appears unreasonable. In certain transactions, JSU explained that the employees were on a 9-month academic year contract but also worked during the summer months. Therefore, the percentages of time and effort on the PARs reflected the time and effort of the entire year, instead of the particular month. However, without a PAR to accurately support the percentage of time and effort spent on an award, we were unable to determine if the portion of salary or wage allocated to the award is allowable and reasonable.

After the issuance of the draft audit report, JSU submitted copies of the revised PARs and other documentation to support the 28 transactions in question. However, due to the deficiencies in JSU's labor time and effort reporting system identified during our audit, we were unable to determine the validity of these PARs. In some cases, JSU also submitted documentation, such as Notice of Personnel Action Forms and internal requests for compensation, pay stubs and payroll ledger reports, etc., to support the transactions in question. However, these documents did not fully address the original issues identified on the transactions. As a result, we questioned the portion of salaries and wages claimed that are not adequately supported by the PARs, which includes salaries and wages of \$73,809.57, the associated indirect costs of \$ [REDACTED] and fringe benefits of \$ [REDACTED].

During our audit, we also found that the monthly PARs supporting the labor costs charged of 26 transactions in our sample were prepared at the beginning of the month, instead of on an after-the-fact basis as required by 2 CFR 220 – Cost Principles for Educational Institutions. After the issuance of the draft audit report, JSU submitted copies of the revised PARs to support the 26 transactions in question. However, due to the deficiencies in JSU's labor time effort reporting system identified during our audit, we were unable to determine the validity of these PARs. Therefore, we questioned salaries and wages of \$54,223.17, as well as the associated indirect costs of \$ [REDACTED] and fringe benefits of \$ [REDACTED].

There are 16 instances where we found that the PARs provided by JSU are not adequate to support the salaries and wages charged to the NSF awards. For example in some cases, JSU provided two sets of PARs, which contain conflicting information, to support the amount of salaries or wages charged to a NSF award. Therefore, the auditors were unable to determine which set of PAR reflect the actual and accurate time effort spent on the NSF award. After the issuance of the draft audit report, JSU submitted copies of the corrected PARs and other documentation to support the 16 transactions in question. However, due to the deficiencies in JSU's labor time effort reporting system identified during our audit, we were unable to determine the validity of these PARs. As a result, we questioned salaries and wages claimed of \$38,989.79, as well as the associated indirect costs of [REDACTED] and fringe benefits of \$ [REDACTED].

There are two transactions that were not supported by JSU's payroll registers. For one transaction, JSU did not provide the payroll register to support the amount charged to the NSF

award. For the other transaction, it appears that the same transaction was claimed twice to the NSF award for the same pay period; however, the payroll register provided by JSU only supported one pay. After the issuance of the draft audit report, JSU submitted the PARs and payroll ledger reports to support the two transactions; however, the payroll registers in question were not provided. As such, we questioned labor costs in a total amount \$ [REDACTED], including salaries and wages claimed of \$9,737.56, the associated indirect costs of \$ [REDACTED] and fringe benefits of \$ [REDACTED].

Although JSU has implemented policies and procedures for labor effort reporting, its existing policies and procedures are not adequate to ensure that labor costs charged to federal awards are properly supported in accordance with 2 CFR 220. Under JSU's current process, according to our interview with JSU personnel, the percentage(s) of labor effort of an employee to be spent on a federal award or multiple federal awards is first estimated by the Principal Investigator (PI) or Project Director of the project. Based on this estimate, the PI or Project Director records the portion of monthly salary or wage of the employee to be funded by the federal award(s) on a Notice of Personnel Action (NPA). Instead of recording the estimated percentage of time and effort, the PI or Project Director records the dollar amount to be funded by the federal award(s) on the NPA. For example if an employee's monthly salary is \$1,000 and the PI estimates that the employee will spend 40% of time and effort on award A and 60% of time and effort on award B, the PI will put down on the NPA that \$400 of the employee monthly salary will be funded by award A and the remaining \$600 will be funded by award B, instead of recording the estimated percentages of time and effort on the two awards. Based on the information on the NPA, the Human Resources Department enters the dollar amounts to be charged to the two awards into the payroll system. The payroll system will then automatically charge \$400 of the employee's salary to award A and \$600 of the employee's salary to award B in each pay period. By the end of each month, each employee working on a federal award or multiple federal awards is required to complete a Personnel Activity/Time and Effort Report (PAR) to record his/her time effort on the federal award(s). The PI or Project Director is responsible to collect the PARs of all employees working on his/her project and submit the Reports to the Sponsored Programs/Research Compliance Coordinator. However, JSU does not have procedures to review and ensure that the percentages of labor effort recorded on the employees' PARs accurately reflect and support the portion of salaries and wages charged to the federal awards.

In addition, JSU's labor effort reporting policy does not provide instructions on how to account for time and effort spent by an employee on a federal award outside the academic year, i.e., the summer period, and extra time and effort spent on a federal award in addition to an employee's normal duties or level of effort. As such, PARs were not always properly prepared for these periods and extra time and effort. Furthermore, JSU's policy does not specify or require that PARs must be prepared on an after-the-fact basis.

Furthermore, we noted that the design of JSU's PAR is not capable of fully accounting for time and effort of an employee spent on multiple federal awards on the same PAR for a pay period because the PAR only allows an employee to identify his/her time and effort on one single award only. The PAR only allows the input of one award number on the top section of the PAR. There is a table on the PAR which categorizes the employee's labor effort into the three areas, including "Department", "Other" and "This Grant". The employee is required to record the percentage of time and effort on each of these three categories. If an employee works on more than one federal award, the employee has no space on the PAR to record his/her time and effort on multiple awards. As such, we noted certain instances during our audit that more than one PAR was prepared for an employee for the same pay period. We also noted that when

there is no procedure to review the PARs submitted by an employee on a collective basis, instances where employees recorded 100% time and effort on separate PAR for different awards for the same pay period, as found in our audit, would not be identified.

Equipment Costs

We sampled 9 transactions of equipment costs claimed and found that 1 transaction of \$6,177.82 charged to Award No. 0611539 did not have adequate documentation to support the allowability, allocability and reasonableness of the costs claimed.

Award No.	Unsupported Equipment Costs Questioned
0611539	\$ 6,177.82
<b>Total:</b>	<b>\$ 6,177.82</b>

The transaction in question was for the purchase of one arc lamp housing and one arc lamp power supply. JSU provided copies of a purchase order, a vendor invoice and a check payment together with its responses to the draft audit report to support the amount claimed. We noted that the vendor address on the three documents was different. The purchase order showed that the vendor is at Stratford, CT; the vendor invoice showed that the vendor is at Santa Clara, CA; and the check copy showed that the vendor is at Chicago, IL. In addition, the vendor invoice did not contain an invoice number, the vendor’s phone number and description of the items purchased. We were unable to determine the validity of the vendor invoice and the actual items purchased and, therefore, questioned the amount claimed.

Travel Expenses

We found that the allowability, allocability and reasonableness of travel expenses of \$19,984.50 charged to the NSF awards were not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21). The following table presents the travel expenses and the associated indirect costs being questioned by award. As a result, we questioned travel expenses of \$19,984.50 and the associated indirect costs of \$8,123.27 claimed by JSU.

Award No.	Travel Expenses Questioned	Associated Indirect Costs Questioned*	Total Costs Questioned
0602740	\$ 10,979.00		
0611539	8,623.13		
0833178	382.37		
<b>Total:</b>	<b>\$ 19,984.50</b>		

\* See calculation details at Exhibit B, Finding 3.

We sampled a total of 81 transactions to test travel expenses charged to JSU’s NSF awards and initially questioned participant support costs of \$30,531.10 and the associated indirect costs of \$8,123.27 of 22 transactions claimed by JSU for lack of or inadequate supporting documentation. After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 8 of the 22 transactions we had initially questioned.

For the remaining 14 transactions, although JSU provided additional documentation to support most of the amounts claimed, the additional documentation provided was not adequate to

support how the amounts claimed are allowable, allocable and reasonable to the awards. As such, we questioned travel expenses of \$19,984.50 claimed by JSU and the associated indirect costs of [REDACTED]

The following table presents the amount of travel expenses questioned costs by reason.

Reason for Questioned Costs	No. of Transactions	Travel Expenses Questioned	Associated Indirect Costs Questioned*	Total Amount Questioned
No Supporting Documentation Was Provided	2	\$424.37	[REDACTED]	[REDACTED]
Inadequate Supporting Documentation	12	19,560.13	[REDACTED]	[REDACTED]
<b>Total:</b>	<b>14</b>	<b>\$ 19,984.50</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>

\* See calculation details at Exhibit B, Finding 3.

As shown above, JSU did not provide any supporting documentation to support the allowability, allocability and reasonableness for 2 transactions. For the other 12 transactions, JSU did not provide adequate documents to support their allowability, allocability and reasonableness. For most of these transactions, JSU only provided credit card statements, purchase requisition forms or payment vouchers to support the travel expenses claimed; however, no documentation was provided to support the nature of the expenses and/or purposes of the trips.

Participant Support Costs

We found that the allowability, allocability and reasonableness of participant support costs of \$168,688.03 charged to the NSF awards were not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21).

We sampled a total of 190 transactions to test participant support costs charged to JSU’s NSF awards and initially questioned participant support costs of \$604,198.48 and the associated indirect costs of [REDACTED] of 78 transactions claimed by JSU for lack of or inadequate supporting documentation. After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 56 of the 78 transactions we had initially questioned.

For the remaining 22 transactions, although JSU provided additional documentation to support amounts claimed, the additional documentation provided was not adequate to support how the amounts claimed are allowable and allocable to the awards. As such, we questioned publication costs of \$168,688.03 claimed by JSU.

Award No.	Participant Support Costs Questioned	Associated Indirect Costs Questioned*	Total Costs Questioned
0602740	\$ 856.00	\$ -	\$ 856.00
0734645	11,624.83	-	11,624.83
0831921	93,198.00	-	93,198.00
0833178	30,209.00	-	30,209.00
0929591	21,844.20	-	21,844.20
1026590	5,050.00	-	5,050.00
1031404	5,906.00	-	5,906.00
<b>Total:</b>	<b>\$ 168,688.03</b>	<b>-</b>	<b>\$ 168,688.03</b>

\* See calculation details at Exhibit B, Finding 3.

The following table presents the amount of questioned costs by reason.

Reason for Questioned Costs	No. of Transactions	Participant Support Costs Questioned	Associated Indirect Costs Questioned*	Total Amount Questioned
No Supporting Documentation Was Provided	1	\$ 2,500.00	-	\$ 2,500.00
Inadequate Supporting Documentation	21	166,188.03	-	166,188.03
<b>Total:</b>	<b>22</b>	<b>\$168,688.03</b>	<b>-</b>	<b>\$168,688.03</b>

\* See calculation details at Exhibit B, Finding 3.

For the 22 transactions that we questioned their allowability, allocability and reasonableness:

- 1 transaction that JSU did not provide any supporting documentation.
- 2 transactions were for airfare. The supporting documentation provided for each transaction did not support the full amount claimed. Therefore, the unsupported portion in a total amount of \$200.00 was questioned.
- 1 transaction was for airfare of \$2,544.40. We noted that the airfare was only \$2,069.40 and the travel agent had charged \$100.00 as a handling fee. The remaining \$375.00 was the difference in airfare for switching airlines. JSU did not provide further documentation to support the reasonableness of the costs for switching airlines. Therefore, \$375.00 was questioned.
- 1 transaction was only supported by a screenshot of the accounting system, instead of the actual invoice or receipt.
- 1 transaction was for travel expenses to Japan and China. The documentation provided by JSU did not contain the names of the travelers, the purposes of the trips and the account or award code as to which award the expenses should be charged.
- 1 transaction was for catering services for a workshop. JSU provided the same supporting documentation used to support another transaction of the same amount of \$1,500.
- 1 transaction was for the stipend paid to a student for her program participation in the month of July 2011; however, we noted that the student was not admitted into the program until August 2011.
- 1 transaction was for tuition of a participant. The dates of the supporting documentation provided were well before the transaction date when the expense was charged to the award.
- 1 transaction was for bus expenses. The documentation provided did not identify the account or award code as to which award the expenses should be charged. A roster of participants was provided but it was also used to support two other transactions.

- 12 transactions were for student stipends, tuitions, conference registration fees and academic awards, and the only supporting documents provided by JSU were the purchase requisition forms.

Materials and Supplies

We sampled a total of 18 transactions to test materials and supplies charged to JSU’s NSF awards and initially questioned materials and supplies of \$2,852.34 and the associated indirect costs of \$[REDACTED] of 3 transactions claimed by JSU for lack of or inadequate supporting documentation. After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the amounts charged and removed the total \$[REDACTED] questioned.

Publication Costs

We found that the allowability, allocability and reasonableness of publication costs of \$312.76 charged to Award No. 0851646 were not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21).

We sampled a total of 16 transactions to test publication costs charged to JSU’s NSF awards and initially questioned publication costs of \$6,028.85 and the associated indirect costs of \$[REDACTED] of 6 transactions claimed by JSU for lack of or inadequate supporting documentation. After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 5 of the 6 transactions we had initially questioned.

For the remaining one transaction charged to Award No. 0851646, JSU provided a purchase order and an invoice to support the purchase of 12 brief cases for \$312.76. However, no additional documentation was provided to explain how the amount claimed is allowable and allocable to the award. As such, we questioned publication costs of \$312.76 and the associated indirect costs of [REDACTED] claimed by JSU.

Award No.	Publication Costs Questioned	Associated Indirect Costs Questioned*	Total Costs Questioned
0851646	\$ 312.76	[REDACTED]	[REDACTED]
<b>Total:</b>	<b>\$ 312.76</b>		

\* See calculation details at Exhibit B, Finding 3.

Consultant Services

We found that the allowability, allocability and reasonableness of consultant services costs of \$500.00 charged to Award No. 0611539 were not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21).

We sampled a total of 32 transactions to test consultant services costs charged to JSU’s NSF awards and initially questioned consultant services costs of \$14,003.61 and the associated indirect costs of \$[REDACTED] of 5 transactions claimed by JSU for lack of or inadequate supporting documentation. After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 4 of the 5 transactions we had initially questioned.

For the remaining one transaction charged to Award No. 0611539, JSU provided a purchase requisition form, a JSU internal invoice and a US Immigration Service Notice to support working visa fee of \$500.00. The only documents supporting the dollar amount claimed were the purchase requisition form and the JSU internal invoice. The US Immigration Service Notice did not contain any dollar amount. As such, we were unable to determine if the dollar amount claimed is adequately supported and we questioned consultant services costs of \$500.00 and the associated indirect costs of \$ [REDACTED] claimed by JSU.

<b>Award No.</b>	<b>Consultant Service Costs Questioned</b>	<b>Associated Indirect Costs Questioned*</b>	<b>Total Costs Questioned</b>
0611539	\$ 500.00	[REDACTED]	[REDACTED]
<b>Total:</b>	<b>\$ 500.00</b>	[REDACTED]	[REDACTED]

\* See calculation details at Exhibit B, Finding 3.

### Computer Services

We sampled a total of 2 transactions for computer services and we originally questioned computer services costs of \$179.95 and the associated indirect costs of [REDACTED] or one transaction charged to Award No. 0811807 due to inadequate support. JSU submitted additional support together with its responses to the draft audit report. As such, we accepted the amount charged and removed the questioned amount.

### Subaward Costs

We sampled a total of 35 transactions for subaward costs and we originally questioned subaward costs of \$14,741.38 and the associated indirect costs of [REDACTED] for one transaction charged to Award No. 0611539 due to lack of support. JSU submitted adequate support together with its responses to the draft audit report. As such, we accepted the amount charged and removed the questioned amount.

### Other Direct Costs

We sampled a total of 45 transactions to test other direct costs charged to JSU's NSF awards and initially found that the allowability, allocability and reasonableness of 23 transactions of \$46,893.77 charged to the NSF awards were not adequately supported in accordance with 2 CFR 220 – Cost Principles for Educational Institutions (formerly OMB Circular A-21). After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 18 of the 23 transactions we had initially questioned.

For the remaining 5 transactions, JSU only provided the purchase requisition forms and/or journal entries to support the expenses claimed, instead of the actual invoices or receipts detailing the items purchased. As such, we questioned other direct costs of \$8,680.87 and the associated indirect costs of \$ [REDACTED] of the remaining 5 transactions claimed by JSU for inadequate supporting documentation. The following table presents the final amount of other direct costs and as the associated indirect costs being questioned costs by award.



Award No.	Other Costs Questioned	Associated Indirect Costs Questioned*	Total Costs Questioned
0602740	\$3,000.00		
0611539	5,680.87		
<b>Total:</b>	<b>\$8,680.87</b>		

\* See calculation details at Exhibit B, Finding 3.

### Recommendation No. 3

We recommend that NSF's Director of the Division of Institution and Award Support address and resolve the following recommendation that JSU:

- a. Review and strengthen JSU's employee time and effort reporting and labor cost allocation policy and procedures to ensure that labor costs charged to the federal awards are adequately supported by Personnel Activity/Time and Effort Reports in accordance with 2 CFR 220.
- b. Redesign its Personnel Activity/Time and Effort Report, so that it could accommodate the recording of time efforts spent on multiple awards or activities on one single report.
- c. Review and strengthen its record keeping policy to ensure that adequate documentation is maintained to support the allowability, allocability and reasonableness of expenditures claimed to federal awards.
- d. Work with NSF to resolve the questioned costs cited above.

### Awardee's Comments

#### Salaries and Wages

JSU agrees with the initial auditors' report that some of the questioned costs resulted from lack of time and effort reports and inadequate support of the salaries and wages claimed. JSU disagrees with the basis of the other questioned costs. For context, JSU was given only three weeks to provide all the necessary personnel activity/time and effort reports for six years of activities. Due to the fact that most of these reports were already archived, JSU needed adequate time to pull these reports from the archives. In this response, JSU has included the personnel activity/time and effort reports for the 52 questioned transactions, the 28 questioned transactions for allocation of labor cost purported to be inadequately supported by time sheets, the 16 to support amount claimed, and the 2 not supported by payroll registers.

The auditors questioned 26 personnel activity reports not prepared on an after-the-fact basis. JSU agrees that this was a procedural mistake on the part of a few PIs and have corrected these mistakes by having the PIs and associated signatures on the reports recertify the reports as required by JSU's time and effort reporting procedures and by 2 CFR 220. JSU is of the position that the personnel action forms, students' timesheets and payroll registers on these transactions show that the employees and students were verified, did the work and were compensated accordingly. The procedural dated errors in our opinion should not rise to questioning the labor costs associated with these transactions.

JSU is committed to ensuring that time and effort expended on sponsored agreements is appropriately documented; that salaries and wages charged to sponsored projects reasonably reflect the effort expended on the projects; that efforts continue to be certified by authorized personnel in an appropriate manner and ensure that effort certifications comply with 2 CFR 220. JSU agrees with the auditors' recommendation number (3) and have started transitioning to electronic time and effort processes and verification for all sponsored projects transactions. JSU requests that the total amount of [REDACTED] be removed from the auditors' report.

#### Equipment Costs

JSU has provided documentation for the equipment costs together with the responses to the draft audit report. The amount is allowable, allocable and is a reasonable cost to the award. JSU requests that it is accepted and the questioned cost of \$6,177.82 charged to Award No. 0611539 be removed.

#### Travel Expenses

JSU has enclosed in the responses to the draft audit report the support for 17 transactions that were noted in the auditors' report. These 17 transactions are allowable, allocable and reasonable to the award. JSU requests that it is accepted and the questioned cost be removed. JSU has also included the full support of 5 transactions that had inadequate documentation.

JSU agrees with the auditors' questioned costs of \$1,527.72 and \$132.88 charged to Award No. 0602740 because the transaction expense was for foreign travel; however, the only budgeted cost category of this award was participant cost. Since participant support cost is such a broad account classification, JSU has to establish separate account codes to segregate costs. The LSAMP Phase IV Program encourages presentations and participation at professional meetings; therefore, the student was allowed to present in France. One of the future goals of the project will be to provide international research experiences for STEM students through international internships in other countries.

Since NSF allows the transfer of cost between categories, JSU requests that the questioned expenses be considered allowable, allocable and beneficial to the project. JSU requests that the total amount questioned of \$ [REDACTED] be removed from the auditors' report.

#### Participant Support Costs

Thirty-eight transactions with a cost of \$267,212.29 were questioned based on whether the costs were allowable, allocable and reasonable to the award. JSU has provided support together with the responses to the draft audit report for the amount of \$263,022.46 and JSU agrees to no support of \$4,189.83. JSU asks that the support be considered.

The auditors' report noted 18 transactions where no acceptance letters were provided. JSU has included acceptance letters for 12 of the 18 transactions that were required by the programs. The remaining 6 transactions did not require acceptance letters for their programs. JSU requests that the total amount of \$291,918.50 be removed from the auditors' report.

The auditors questioned 13 transactions for student stipends in which the only supporting documents provided by JSU were the copies of the student award letters that actually related to another expired award. The PI erroneously listed the incorrect award number on the student

award letters. JSU requests that the total amount of \$32,500.00 be removed from the auditors' report.

Of the remaining 9 transactions questioned by the auditors, JSU has provided additional documentation together with the responses to the draft audit report to support 8 of the 9 transactions. No additional documentation is provided for one transaction with a questioned cost of \$772.83. JSU requests that the total amount of \$19,626.36 be removed from the auditors' report.

#### Materials and Supplies

JSU disagrees with the auditors' questioned cost of the charged to Award Nos. 0811807 and 0929591. The power cord was an accessory for the equipment purchased for this project. The funds were transferred into this category to cover its purchase and the purchase is allowable based on NSF policy and procedures. The budget justification for the purchase of 100 books includes \$15,000 for materials and supplies; therefore, this purchase is an allowable expense. The actual invoice related to the journal voucher has been provided as additional support. Source documentation has been included in the response to the draft audit report to support the questioned cost. JSU requests that the total cost of \$██████████ be removed from the auditors' report.

#### Publication Costs

JSU disagrees with the questioned cost of lack of support or proper documentation to support this expense. Documentation is provided with the response to the draft audit report. JSU requests that the total amount of \$██████████ be removed from the auditors' report.

#### Consultant Services

JSU disagrees with the auditors' questioned cost and to the reasonableness of the expenses. JSU provided the forms that were currently in use at the time of service. The "Request for Consultant Services" Form that was currently being used included the description of services, estimate of time required, and the rate of compensation. The costs are allowable, allocable and are reasonable costs to the award. JSU requests that it is accepted and the questioned cost of \$██████████ be removed. Documentation is provided together with the responses to the draft audit report.

#### Computer Services

The requisition document provided was the wrong requisition document. The requisition document, along with the check documentation, is provided together with the responses to the draft audit report. JSU requests that the questioned cost of \$██████████ be removed.

#### Subaward Costs

JSU disagrees with the questioned cost of lack of support or proper documentation to support this expense. Documentation is provided together with the responses to the draft audit report. JSU requests that the total amount of ██████████ be removed from auditors' report.

## Other Direct Costs

Allowable, allocable and reasonable support for the direct cost expense questioned is provided together with the responses to the draft audit report. JSU requests that the questioned cost of [REDACTED] be removed.

## **Auditors' Response**

### Salaries and Wages

We disagree that JSU was given only three weeks to provide all necessary personnel activity/time and effort reports. JSU was notified about this audit back in February 2012 and we conducted our audit fieldwork in July 2012. We started giving JSU our sampled transactions at the beginning of our audit fieldwork and JSU was given until August 10, 2012 to provide supporting documentation for the sampled transactions.

After the issuance of the draft audit report, JSU submitted copies of the PARs and other documentation to support the 52 transactions that were missing PARs during the audit. However, due to the deficiencies in JSU's labor time effort reporting system identified during our audit, we were unable to determine the validity of these PARs. In addition, in some cases, JSU only submit documentation, such as Notice of Personnel Action Forms and internal requests for compensation, etc., to support the transactions in question, instead of the PARs. These documents were not prepared on an after-the-fact basis and could not be considered as adequate documentation to support the labor cost allocations. As a result, the [REDACTED] remains questioned.

We reviewed the copies of the revised PARs and other documentation submitted by JSU with its responses to the draft audit report for the 28 transactions that had been found not fully supported by the percentages of time effort recorded on the Personnel Activity/Time Effort Reports or employee timesheets during the audit. However, due to the deficiencies in JSU's labor time effort reporting system identified during our audit, we were unable to determine the validity of these PARs. In some cases, JSU also submit documentation, such as Notice of Personnel Action Forms and internal requests for compensation, pay stubs and payroll ledger reports, etc., to support the transactions in question. However, these documents did not fully address the original issues identified on the transactions. As a result, the \$[REDACTED] remains questioned.

We do not agree with JSU that a Notice of Personnel Action Form (NOA) and a payroll register are adequate to support that the amount of an employee's compensation charged to a federal award. The NOA is only a form which documents the approval of the budgeted or predetermined amount of compensation to be charged to one or more federal awards or other activities and the payroll register only shows the amount of compensation already charged to one or more federal awards or other activities. These documents do not reflect and support the actual time effort that an employee spends on different awards or activities. Without any records, such as PARs, to document the actual time effort spent on an award on an after-the-fact basis, the amount of compensation charged to the award could be overstated or understated. JSU provided revised PARs together with its responses to the draft audit report to support the 26 transactions that we questioned due to PARs not being prepared on an after-the-fact basis. However, due to the deficiencies in JSU's labor time effort reporting system

identified during our audit, we were unable to determine the validity of these PARs. Therefore, the [REDACTED] remains questioned.

We reviewed the revised PARs and other documents provided by JSU to support those 16 instances that we had found conflicting information on the original PARs. However, due to the deficiencies in JSU's labor time effort reporting system identified during our audit, we were unable to determine the validity of these PARs. As a result, we did not accept these additional documents as adequate to support the transactions in question. Therefore, the \$ [REDACTED] remains questioned.

After the issuance of the draft audit report, JSU submitted the PARs and payroll ledger reports to support the two transactions that were missing payroll registers; however, the payroll registers in question were not provided. As such, the \$ [REDACTED] remains questioned.

JSU stated that it agrees with our recommendation to review and strengthen its employee time and effort reporting and labor cost allocation policy and procedures, and has started transitioning to electronic time and effort processes and verification for all sponsored project transactions. However, JSU did not further explain how the electronic time and effort processes would address the deficiencies identified in its employee time and effort reporting system and accommodate the recording of time and effort spent on multiple awards or activities on one single Personnel Activity/Time and Effort Report. Therefore, the finding should not be closed until NSF determines that the recommendation has been adequately addressed, the proposed corrective actions have been satisfactorily implemented and NSF has resolved the questioned costs.

#### Equipment Costs

JSU provided copies of a purchase order, a vendor invoice and a check payment together with its responses to the draft audit report to support the amount of \$6,177.82 charged to Award No. 0611539. We noted that the vendor address on the three documents was different. In addition, the vendor invoice did not contain an invoice number, the vendor's phone number and description of the items purchased. We were unable to determine the validity of the vendor invoice and the actual items purchased. As such the questioned amount sustained.

#### Travel Expenses

After reviewing the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 8 of the 22 transactions we had originally questioned. As such, we reduced the questioned amounts of travel expenses and the associated indirect costs to \$19,984.50 and [REDACTED] respectively.

For the remaining 14 transactions, although JSU provided additional documentation to support amounts claimed, the additional documentation provided was not adequate to support how the amounts claimed are allowable, allocable and reasonable to the awards. For most of these transactions, JSU only provided credit card statements, purchase requisition forms or payment vouchers to support the travel expenses claimed; however, no documentation was provided to support the nature of the expenses and/or purposes of the trips. For the two transactions related to foreign travel in the amounts of \$1,527.22 and \$132.88, JSU did not provide documentation to support that foreign travel was approved under Award No. 0602740 and the expenses incurred were allocable to the award.

### Participant Support Costs

Based on the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 56 of the 78 transactions we had originally questioned. For the remaining 22 transactions, JSU did not provide adequate documentation to support the allowability and allocability of the amounts charged to the NSF awards. As such, we reduced the questioned amounts of participant support costs to \$168,688.03.

### Materials and Supplies

Based on the additional documentation provided by JSU with its responses to the draft audit report, we accepted the amounts of the 3 transactions charged to the NSF awards and removed the \$[REDACTED] questioned amount.

### Publication Costs

Based on the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 5 of the 6 transactions we had originally questioned. For the remaining 1 transaction, JSU did not provide adequate documentation to support the allowability and allocability of the amount charged to the award. As such, we reduced the questioned amounts of publication costs and the associated indirect costs to \$312.76 and \$[REDACTED] respectively.

### Consultant Services

Based on the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 4 of the 5 transactions we had originally questioned. For the remaining 1 transaction, JSU did not provide adequate documentation to support the dollar amount claimed. As such, we reduced the questioned amounts of consultant services costs and the associated indirect costs to \$500.00 and \$[REDACTED] respectively.

### Computer Services

Based on the additional documentation provided by JSU with its responses to the draft audit report, the computer services costs of \$179.95 and the associated indirect costs of [REDACTED] charged to Award No. 0811807 are accepted and the questioned amounts have been removed.

### Subaward Costs

Based on the documentation provided by JSU with its responses to the draft audit report, the subaward costs of \$14,741.38 and the associated indirect costs of [REDACTED] charged to Award No. 0611539 are accepted and the questioned amounts have been removed.

### Other Direct Costs

Based on the additional documentation provided by JSU with its responses to the draft audit report, we accepted the documentation of 18 of the 23 transactions we had originally questioned. For the remaining 5 transactions, JSU only provided the purchase requisition forms and/or journal entries to support the expenses claimed, instead of the actual invoices or receipts detailing the items purchased. As such, we reduced the questioned amounts of other direct costs and the associated indirect costs to \$8,680.87 and \$[REDACTED] respectively.

The finding should not be closed until NSF determines that the recommendation has been adequately addressed, the proposed corrective actions have been satisfactorily implemented and NSF has resolved the questioned costs.

Exhibits A and B are redacted in their entirety.



## **APPENDICES**

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**Appendix A: List of NSF Awards Covered by the Performance Audit**


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<b>Award No.</b>	<b>Award Period</b>	<b>Audit Period</b>	<b>Cumulated Expenditures Claimed as of 09/30/11</b>
0602740	11/01/06 – 04/30/12	11/01/06 – 09/30/11	\$ 4,945,372.85
0611539	06/01/06 – 03/31/12	06/01/06 – 09/30/11	2,851,152.53
0731587	09/01/09 – 08/31/12	09/01/09 – 09/30/11	4,086.33
0734645	10/01/07 – 09/30/11	10/01/07 – 09/30/11	959,767.17
0751515	09/15/07 – 11/30/11	09/15/07 – 09/30/11	575,861.82
0755433	05/01/08 – 04/30/11	05/01/08 – 04/30/11	294,000.00
0811807	09/15/08 – 08/31/11	09/15/08 – 08/31/11	129,600.11
0821357	08/01/08 – 07/31/11	08/01/08 – 07/31/11	562,969.89
0831921	10/01/08 – 09/30/13	10/01/08 – 09/30/11	2,581,300.87
0833178	10/01/08 – 09/30/13	10/01/08 – 09/30/11	2,265,970.31
0837395	03/01/09 – 02/28/13	03/01/09 – 09/30/11	55,665.62
0840450*	09/01/09 – 08/31/12	09/01/09 – 09/30/11	172,557.00
0847549	08/15/09 – 03/31/11	08/15/09 – 03/31/11	59,401.72
0851646	01/15/09 – 12/31/12	01/15/09 – 09/30/11	300,999.31
0906945*	08/01/09 – 07/31/12	08/01/09 – 09/30/11	99,999.08
0929591	08/01/09 – 07/31/11	08/01/09 – 07/31/11	930,938.14
0940573	09/01/09 – 08/31/12	09/01/09 – 09/30/11	63,861.80
0941955	07/01/10 – 06/30/13	07/01/10 – 09/30/11	14,457.11
0941959	09/15/10 – 08/31/13	09/15/10 – 09/30/11	41,437.82
0958179	09/15/09 – 08/31/12	09/15/09 – 09/30/11	75,744.73
0965961	01/01/10 – 12/31/14	01/01/10 – 09/30/11	102,010.59
1008708	10/01/10 – 09/30/15	10/01/10 – 09/30/11	870,026.09
1026590	08/01/10 – 07/31/12	08/01/10 – 09/30/11	529,568.81
1031404	09/15/10 – 08/31/13	09/15/10 – 09/30/11	306,437.50
1036328	10/01/10 – 09/30/13	10/01/10 – 09/30/11	86,506.02
1039502	09/01/10 – 08/31/13	09/01/10 – 09/30/11	174,888.01
1039504	01/01/11 – 12/31/12	01/01/11 – 09/30/11	199,232.00
1042326	01/01/11 – 12/31/12	01/01/11 – 09/30/11	11,454.54
1056927	02/15/11 – 01/31/16	02/15/11 – 09/30/11	35,426.51
1062057	04/15/11 – 03/31/12	04/15/11 – 09/30/11	18,547.78
1062188	10/01/10 – 09/30/12	10/01/10 – 09/30/11	93,593.42
		<b>Total:</b>	<b>\$19,412,835.48</b>

\* Award funded by American Recovery and Reinvestment Act (ARRA) funds.

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**Appendix B: JSU Response**

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## JACKSON STATE UNIVERSITY

1400 J.R. Lynch Street • JSU Box 17329  
Jackson, Mississippi 39217-0250

OFFICE OF THE TREASURER  
(GRANTS AND CONTRACTS)

PHONE: 601.979.5848  
FAX: 601.979.8644

November 9, 2012

██████████ Manager  
Mayer Hoffman McCann P.C.  
2301 Dupont Drive, Suite 200  
Irvine, CA 92612

**Reference: Performance Audit of Jackson State University's Incurred Costs For National Science Foundation Awards On the Federal Financial Report For the Period Ending September 30, 2011**

Dear Mr. ██████:

Enclosed are Jackson State University's (JSU) comments and formal responses to the findings and recommendations that you identified from the audit. We request that you review the comments and responses to be duly noted in your final report. Hence throughout this document, Jackson State University may also be noted as "JSU".

### **Finding #1: Excess Indirect Cost of \$83,843.90 Was Claimed**

In addition to JSUs current procedure of requesting reimbursements on a monthly basis, unless the grant stipulates otherwise, the following steps will be implemented: (1) Ensure that there is a monthly review of the indirect cost calculations; and (2) Review all new and continuous budget setup to ensure that exclusion of certain cost categories are adhered to.

JSU agrees with the findings and has made the appropriate adjustment to the awards of the overdrawn amount of \$83,843.90 in the September 2012 drawdown. Jackson State University request that the total amount of \$83,843.90 be removed from the auditor's report.

\*See Supporting Documentation Exhibit 1, Finding 1

**Finding #2: Unallowable Equipment Costs, Fringe Benefits, Travel Expenses, Other Direct Costs Claimed**


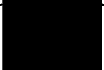

**Response to Equipment Costs Award Number 0811807 - \$15,390.00**

Jackson State University (JSU) disagrees with the auditors' subjective questioned costs of \$15,390 charged to award No. 0811807 because the amount JSU claimed was not allocable and had no value to accomplish award objectives.

Award was designed to establish an electrical engineering program that included purchase of laboratory equipment. Awardee was granted a one year no-cost extension to complete project objectives. Four laptops were purchased towards the end of the grant instead of the beginning from another vendor to reduce purchase price and to complete equipment (computers) for the students' laboratory for on-going programming per attached revised budget approved by NSF. The laptops are critical and a necessary purchase to meet the needs of more than 60 students in the new program over time in accordance with project approved proposed goals. In addition, the purchase of the four laptops which have since been set-up in the lab were done within the approved program budget. Therefore, we believe the computers benefitted and continue to benefit the purpose of the award. We requesting that the purchase cost should be an allowable, allocable, and reasonable cost to the project. Jackson State University request that the total amount of \$15,390.00 be removed from the auditor's report.

\*See Supporting Documentation Exhibit 2, Finding 2

**Response to Fringe Benefits Costs - \$701.29**

<b>Award No.</b>	<b>Questioned Cost</b>	<b>JSU Action</b>
0611539		Corrective action to remove cost from award was completed
0831921		Corrective action to remove cost from award was completed
0929591		Corrective action to remove cost from award was completed
<b>Total</b>	<b>701.29</b>	

Jackson State University request that the total amount of \$701.29 be removed from the auditor's report.

\*See Supporting Documentation Exhibit 2, Finding 2

### **Response to Unallowable Travel Expenses Award Number 0611539 - [REDACTED]**

Jackson State University disagrees with the auditor's opinion of unallowable travel expenses. The travel expenses are within the scope of the award. The enclosed support reflects that the charge of \$93.38 and its associated indirect cost of [REDACTED] is not a duplicate expense. The payment was generated by the system based upon the invoice being processed against the encumbrance number. The invoice total was redistributed by the assigned percentages of each line on the encumbrance. We no longer process payments based upon this method. We now enter the amounts of each line as written on the reimbursement report. Jackson State University request that the total amount of [REDACTED] be removed from the auditor's report.

\*See Supporting Documentation Exhibit 2, Finding 2

### **Response to Travel Expenses on Award Number 0929591 - \$1800.27**

Jackson State University disagrees with the auditor's questioned costs of \$1,800.27 charged to award No. 0929591 because the transaction expense was for the Principal Investigator; however the only approved and budgeted cost category of this award was participant cost. The Principal Investigator travel was included in the participant support line in the award. Since participant support cost is such a broad account classification, JSU has to establish separate account codes to segregate cost.

The program objective of the LSAMP Bridge to the Doctorate Program is to establish a secure pathway for underrepresented minority students to obtain doctoral degrees in Science, Technology, Engineering and Mathematics. One of the goals of the project is to provide international research experiences for BD students through international internships in China.

All organized student travel domestic or international must be initiated, planned and arranged by a member of the University's faculty or staff per the University's guidelines for student travel. Its purpose is to provide procedures which promote student safety and improve accountability therefore; the Principal Investigator was required to accompany students on this trip. Jackson State believes this expense is allowable, allocable and beneficial to the project.

Jackson State University request that the total amount of \$1,800.27 be removed from the auditor's report.

\*See Supporting Documentation Exhibit 2, Finding 2

### **Response to Other Direct Costs Award Number 0602740 - [REDACTED]**

The transaction of \$1,995 for the purchase of food for mentors and mentees and the indirect cost of [REDACTED] are allowable expenses within the scope of the award in which only one charge is reflected for the questioned amount. Enclosed documentation represents this statement. We request the removal of [REDACTED] of the auditors' findings.

\*See Supporting Documentation Exhibit 2, Finding 2

**Finding #3: Expenses Totaling \$1,074,579.89 Charged to the NSF Awards Lacked Support or Were Inadequately Supported**

**Response to Salaries and Wages - [REDACTED]**

Jackson State University (JSU) agrees with the initial auditors' report that some of the questioned costs resulted from lack of time and effort reports and inadequate support of the salaries and wages claimed. JSU disagrees with the basis of the other questioned costs. For context, JSU was given only three weeks to provide all the necessary personnel activity/time and effort reports for six years of activities. Due to the fact that most of these reports were already archived, JSU needed adequate time to pull these reports from the archives. In this response, JSU has included the personnel activity/time and effort reports for the 52 questioned transactions, the 28 questioned transactions for allocation of labor cost purported to be inadequately supported by time sheets, the 16 to support amount claimed, and the 2 not supported by payroll registers.

The auditors questioned 26 personnel activity reports not prepared on an after-the- fact basis. JSU agrees that this was a procedural mistake on the part of a few PIs and have corrected these mistakes by having the PIs and associated signatures on the reports recertify the reports as required by JSU T&E procedures and by 2 CFR 220. Jackson State University is of the position that the personnel action forms, students' timesheets and payroll registers on these transactions show that the employees and students were verified, did the work and were compensated accordingly. The procedural dated errors in our opinion should not rise to questioning the labor costs associated with these transactions.

Jackson State University is committed to ensuring that time and effort expended on sponsored agreements is appropriately documented; that salaries and wages charged to sponsored projects reasonably reflect the effort expended on the projects; that efforts continue to be certified by authorized personnel in an appropriate manner and ensure that effort certifications comply with 2 CFR 220. JSU agrees with the auditor's recommendation number (3) and have started transitioning to electronic time and effort processes and verifications for all sponsored projects transactions. Jackson State University request that the total amount of [REDACTED] be removed from the auditor's report.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Equipment Costs Award Number 0611539 - \$6,177.82**

Jackson State University has enclosed the documentation for the equipment cost. The amount is allowable, allocable and is a reasonable cost to the award. We request that it is accepted and the questioned cost of \$6,177.82 be removed.

\*See Supporting Documentation Exhibit 3, Finding 3

### **Response to Travel Expenses - \$44,575.40**

Jackson State University has enclosed the support for 17 transactions that were noted in the auditor's report. These 17 transactions are allowable, allocable and reasonable to the award. We request that it is accepted and the questioned cost be removed. Jackson State University has also included the full support of 5 transactions that had inadequate documentation.

\*See Supporting Documentation Exhibit 3, Finding 3

### **Response to Foreign Travel Expenses on Award Number 00602740**

Jackson State University agrees with the auditor's questioned costs of \$1,527.72 and \$132.88 charged to award No. 00602740 because the transaction expense was for foreign travel; however, the only budgeted cost category of this award was participant cost. Since participant support cost is such a broad account classification, JSU has to establish separate account codes to segregate cost.

The LSAMP Phase IV Program encourages presentations and participation at professional meetings; therefore, this student was allowed to present in France. One of future goals of the project will be to provide international research experiences for STEM students through international internships in other countries.

Since NSF allows the transfer of cost between categories, Jackson State requests that these expenses be considered allowable, allocable and beneficial to the project. We request that the total amount of \$44,575.40 be removed from the auditor's report.

\*See Supporting Documentation Exhibit 3, Finding 3

### **Response to Participant Support Cost - \$612,029.98**

Thirty eight transactions with a cost of \$267,212.29 were questioned based on whether the cost were allowable, allocable and reasonable to the award. JSU has provided support for the amount of \$263,022.46 and we agree to no support of \$4,189.83. We asked that the support be considered.

The auditor's report noted 18 transactions where no acceptance letters were provided. JSU has included acceptance letters for 12 of the 18 transactions that were required by the programs. The remaining 6 transactions did not require acceptance letters for their programs. Jackson State University request that the total amount of \$291,918.50 be removed from the auditor's report.

The auditors questioned 13 transactions for student stipends in which the only supporting documents provided by JSU were the copies of the student award letters that actually related to another expired award. The principal investigator erroneously listed the incorrect award number



on the student award letters. Jackson State University request that the total amount of \$32,500.00 be removed from the auditor's report.

Of the remaining 9 transactions questioned by the auditors, Jackson State University has provided additional documentation to support 8 of the 9 transactions. No additional documentation is provided for 1 transaction with a questioned cost of \$772.83. Jackson State University request that the total amount of \$19,626.36 be removed from the auditor's report.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Material and Supplies Award Numbers 0811807 and 0929591 - [REDACTED]**

Jackson State University disagrees with the auditors' questioned cost of the charged to awards No. 0811807 and 092959. The power cord was an accessory for the equipment purchased for this project. The funds were transferred into this category to cover its purchase and is allowable based on NSF policy and procedures. The budget justification for the purchase of 100 books includes \$15,000 for materials and supplies, therefore this purchase is an allowable expense. The actual invoice related to the journal voucher has been provided as additional support. Source documentation has been included to support the questioned cost. Jackson State requested that the total cost of [REDACTED] be removed from the auditor's report.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Publication Cost - [REDACTED]**

Jackson State University disagrees with the questions cost of lack of support or proper documentation to support this expense. Documentation is provided. Jackson State University request that the total amount of [REDACTED] be removed from the auditor's report.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Consultant Services Award Number 0611539 and 0751515 - [REDACTED]**

Jackson State University disagrees with the auditors' questioned cost and to the reasonableness of the expenses. JSU provided the forms that were currently in use at the time of service. The "Request for Consultant Services" Form that was currently being used included the description of services, estimate of time required, and the rate of compensation. The costs are allowable, allocable and is a reasonable cost to the award. We request that it is accepted and the questioned cost of \$19,185.87 be removed. Documentation is provided.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Computer Services Award Number - [REDACTED]**

The requisition document provided was the wrong requisition document. The correct requisition document, along with the check documentation is provided. Jackson State University request that the questioned cost of \$[REDACTED] be removed.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Subaward Cost Award Number 0611539 - [REDACTED]**

Jackson State University disagrees with the questioned cost of lack of support or proper documentation to support this expense. Documentation is provided. Jackson State University request that the total amount of \$[REDACTED] be removed from the auditor's report.

\*See Supporting Documentation Exhibit 3, Finding 3

**Response to Other Direct Cost - \$[REDACTED]**

Allowable, allocable and reasonable support for the direct cost expense questioned is provided. Jackson State University request that the questioned cost of \$[REDACTED] be removed.

\*See Supporting Documentation Exhibit 3, Finding 3

If additional information or documentation is needed, please feel free to contact me at [REDACTED]

Sincerely,

[REDACTED]

Associate Vice President

Enclosures (exhibits)

Copy: Mr. Billy McCain, Jr.  
Ms. Jannifer C.L. Jenkins

[REDACTED]

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## Appendix C: Audit Objectives, Scope and Methodology

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The firm of Mayer Hoffman McCann P.C. was engaged by the NSF's Office of Inspector General (OIG) to conduct a performance audit to determine the allowability of costs claimed by Jackson State University (JSU) on the Federal Financial Report (FFR) submitted for the reporting period ended September 30, 2011. The specific objectives of the audit of NSF funds at JSU were:

- 1) to identify costs claimed on the NSF awards that are not allocable, allowable, reasonable, and in conformity with NSF award terms and conditions and applicable Federal grant requirements for the expenses that were recorded by JSU on its general ledgers and claimed on its September 30, 2011 FFR submitted to NSF, and
- 2) to assess the adequacy of JSU's accounting system to properly account for, segregate and report the use of American Recovery and Reinvestment Act (ARRA) funds.

We conducted our audit in accordance with the standards applicable to performance audits contained in the *Government Auditing Standards* (2011 revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions relating to the audit objectives.

Management of JSU is responsible for establishing and maintaining effective internal control to help ensure that federal award funds are used in compliance with laws, regulations and award terms. In planning and performing our audit, we considered JSU's internal control solely for the purpose of understanding the policies and procedures relevant to the financial reporting and administration of NSF awards in order to evaluate JSU's compliance with laws, regulations and award terms applicable to the items selected for testing, but not for the purpose of expressing an opinion on the effectiveness of JSU's internal control over award financial reporting and administration. Accordingly, we do not express an opinion on the effectiveness of JSU's internal control over JSU's award financial reporting and administration.

JSU, as a Federal awardee, is required to follow the cost principles specified in 2 CFR 220 (formerly Office of Management and Budget (OMB) Circular A-21), *Cost Principles for Educational Institutions*, and the Federal administrative requirements contained in 2 CFR 215 (formerly OMB Circular A-110) *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

Available award accounting and administration policies and procedures and relevant documented management initiatives were reviewed, as were previously issued external audit reports, as well as desk review and investigation reports. Schedules and reconciliations prepared by JSU were analyzed and agreed to the accounting records. Documents and accounting records underlying award-funded transactions were provided by JSU prior to fieldwork for purposes of review and analysis. Data contained in the JSU general ledger and supporting detailed ledgers were analyzed in order to identify anomalies, outliers, and aberrant transactions which were then subjected to further investigation during audit fieldwork.

Samples of transactions were tested from the population of charges to the NSF awards. The samples were judgmentally selected based on criteria including, but not limited to, transactions of large dollar amounts, possible duplications, indications of unusual trends in spending, inconsistency with other transactions, even dollar amounts, descriptions indicating potentially unallowable costs, and frequency. The table below presents the number of transactions and the dollar amount we sampled for each cost category. The sample sizes were expanded and additional transactions were tested based on identified exceptions or other indicators of risk. Because the samples were not randomly generated, the results are not subject to extrapolation to the population of charges.

<b>Cost Category</b>	<b>Number of Transactions Sampled</b>	<b>Dollar Amount of Transactions Sampled</b>
Salaries and Wages	190	\$ 497,809.66
Fringe Benefits	(a)	909,531.03
Equipment	9	975,696.95
Travel	81	109,504.04
Participant Support	190	1,086,059.15
Materials and Supplies	18	14,182.20
Publication	16	10,816.30
Consultant Services	32	133,953.22
Computer Services	2	3,742.95
Subawards	35	1,588,515.42
Other	45	88,371.87
Indirect Costs	(b)	2,777,287.85

(a): We recalculated the percentage of each fringe benefit component charged to each NSF award and reviewed the results to determine the reasonableness of the percentage claimed based on the approved budget of the award.

(b): We recalculated the allowable indirect cost amount based on the approved budget and indirect cost rate of each NSF award and compared the result to the actual indirect costs claimed on the NSF award.

We also examined all awards funded with the American Recovery and Reinvestment Act (ARRA) funds that were reported to NSF as part of the Federal Financial Report (FFR) for the period ended September 30, 2011. We confirmed that each one of the 2 awards, Award Nos. 0840450 and 0906945, funded by ARRA was segregated by having its own set of account keys. These account keys provide a unique code by cost category and by award that allows JSU staff to track these costs separately. The allowability of the costs reported for these awards were sampled and tested in conjunction with the other NSF awards. In addition, we reviewed the quarterly reports of the 2 ARRA-funded awards to verify completeness and timeliness with no exceptions noted. We also verified that one job was created under Award No. 0906945.

Fieldwork was conducted at the JSU campus in Jackson, Mississippi during June and July, 2012, and involved interviews with professional staff, inspection of source documents supporting selected financial transactions, observation of inventories of capital assets, parts and supplies, and a tour of JSU campus. Previous audit reports and correspondence from NSF's program and cost accounting personnel were read and considered for purposes of understanding issues identified and addressed over the course of the six-year audit period. Additionally, discussions were held with NSF management and NSF-OIG officials regarding matters relevant to the NSF awards. The U.S. Department of Health and Human Services is the federal cognizant agency for JSU.

We held an exit conference with JSU officials on August 23, 2012.

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