



December 15, 2021

UPDATE & ERRATA TO COGR NOVEMBER 2021 UPDATE

Resolution to NSF OIG Audit Finding: Application of the F&A Cost Rate

This topic was addressed during the NIH/NSF panel session at the October COGR Meeting. Jean Feldman from NSF provided an update on an issue COGR raised earlier in the year. On May 14th, COGR wrote a [letter](#) to the National Science Foundation (NSF) to address recent NSF Office of Inspector General (OIG) audit findings concerning the application of the F&A cost rate to a new award (and in some cases, with a PI transfer). Specifically, the NSF OIG cited the following as an audit finding: 1) an F&A cost rate was proposed at 52 percent, 2) at the time of award a new F&A cost rate of 54 percent had been negotiated, and 3) institutional policy allowed the proposed 52 percent F&A cost rate to be used on the award. *A common institutional policy is to permit the lower 52 percent F&A cost rate to be used, which allows proposed direct costs for the PI to be maintained and there is no harm to NSF.*

This issue has now been addressed in an audit resolution. In a recent [NSF Management Response to an External Audit](#) (dated December 2, 2021), NSF supported the common institutional policy. In that response, NSF wrote:

Finding 7: Incorrect Application of Proposed Indirect Cost Rates

NSF does not sustain the finding. NSF's policy requires grantees to budget indirect costs using current indirect cost rates in accordance with PAPPG Chapter II, Section C.2.g(viii), Indirect Costs. However, during the award performance period, Grantees may provide voluntary uncommitted cost sharing at any time consistent with OMB's clarification Q-132, 2 CFR Frequently Asked Questions dated 5/3/2021 and PAPPG Chapter II, Section C.2.g(xii), Cost Sharing. Also see NSF's Cost Sharing Policy at <https://www.nsf.gov/bfa/dias/policy/>. Accordingly, NSF does not agree with the recommendation to direct [the institution] to strengthen the administrative and management controls and processes over establishing indirect cost rates for NSF awards to ensure that it applies costs at the rates in effect at the time of the initial award.

However, NSF does agree that grantees must have internal controls in place to ensure that the rates applied do not exceed the rates in effect at the time of the award, thereby avoiding overcharges of indirect costs to NSF awards. Final action will be complete

upon a determination by [the institution] Audit No. 19-1-013 Page 3 NSF that [the institution] has implemented adequate internal controls to ensure that awards are not charged indirect costs in excess of the rate(s) in effect at the time of the award.

PLEASE NOTE: In the COGR November 2021 Update, COGR incorrectly reported that Ms. Feldman indicated that NSF would be issuing a Management Decision Letter. While Ms. Feldman commented on this topic at the Wednesday, October 20 COGR Meeting, her statement simply acknowledged the COGR concern and did not specify that a Management Decision Letter would be issued. COGR misunderstood her comments and apologizes for any confusion.

Please contact David Kennedy at dkennedy@cogr.edu if you have questions.