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Caltech's Own Finding Contributed to Repayment of \$57,167 to NSF

Although the National Science Foundation (NSF) allowed more than half the costs questioned by auditors for its Office of Inspector General (OIG), the California Institute of Technology (Caltech) ended up paying NSF more than OIG flagged—due to other costs Caltech itself identified later. The audit covered costs from March 1 to Sept. 30, 2020. Auditors tested approximately \$170,000 of the more than \$54.9 million of costs claimed to NSF during that period. According to the audit resolution report recently posted online, NSF allowed \$31,856 in subaward charges auditors said were “unapproved” because Caltech did not request prior approval from NSF. The agency found the costs were incurred under an agreement that was “more closely aligned with a contract,” versus a subaward agreement, and thus no prior approval was required. This is the argument Caltech made in response to draft audit findings. However, NSF agreed with the auditors—and disagreed with Caltech—that \$16,351 in salary expenses were not allowed. These were charged roughly one month after the expiration of the Office of Management and Budget’s (OMB) memorandum that allowed certain flexibilities during the pandemic. In response to the draft audit findings, Caltech maintained the salaries were permissible because “it was unreasonable for OMB to have discontinued the flexibilities...without a retirement period” and that OMB should have defined the phrase “exhaust other available funding sources.”

Auditors had also flagged \$1,515 in inaccurately applied indirect costs—an amount that grew. According to the audit resolution report, “Caltech reviewed the ledgers for the two awards in question and returned additional funds considered unallowable in the amount of \$38,302 which was refunded to NSF. Based on CalTech’s concurrence, NSF’s management decision is to disallow total questioned costs of \$39,817.” Overall, NSF required Caltech to repay \$57,167. Caltech’s audit was one of 10 OIG audits conducted to assess institutions’ compliance with OMB’s flexibilities during COVID-19.

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