

JULY 26, 2012

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AUDIT REPORT

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OFFICE OF AUDITS

AUDIT OF NASA GRANTS  
AWARDED TO THE PHILADELPHIA  
COLLEGE OPPORTUNITY RESOURCES FOR EDUCATION

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OFFICE OF INSPECTOR GENERAL

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National Aeronautics and  
Space Administration

REPORT No. IG-12-018 (ASSIGNMENT No. A-12-004-00)

Final report released by:

A handwritten signature in black ink, appearing to read 'PKMJA'.

Paul K. Martin  
Inspector General

## Acronyms

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C.F.R.	Code of Federal Regulations
CORE	College Opportunity Resources for Education
GIC	Grant Information Circular
NASA	National Aeronautics and Space Administration
NPR	NASA Procedural Requirements
NSSC	NASA Shared Services Center
OIG	Office of Inspector General
OMB	Office of Management and Budget
PMS	Payment Management System

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## OVERVIEW

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# AUDIT OF NASA GRANTS AWARDED TO THE PHILADELPHIA COLLEGE OPPORTUNITY RESOURCES FOR EDUCATION

## The Issue

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In September 2011, the National Aeronautics and Space Administration (NASA) Office of Inspector General (OIG) reported that NASA did not have an adequate system of controls in place to ensure proper administration and management of its grant program and that as a result some grant funds were not being used for their intended purposes.<sup>1</sup> As a follow-on to our September 2011 report, we are conducting a series of audits examining specific NASA grants. In this report, we present the results of our review of two \$1 million grants NASA made to the Philadelphia College Opportunity Resources for Education (CORE) in 2009 and 2010.

Founded in 2003, CORE is a not-for-profit organization that provides college scholarships to high school seniors who reside and attend high school in Philadelphia, Pennsylvania; plan to attend a Pennsylvania college or university full time; and have a financial need. NASA awarded CORE a \$1 million grant on September 27, 2009, and a second grant, also for \$1 million, on August 5, 2010. In addition to NASA, CORE receives grants from other Federal agencies and other sources. As of September 2011, CORE had awarded \$28.3 million in college scholarships to 23,666 students.

The objective of this audit was to determine whether CORE used NASA's grant funds for their intended purpose and whether the costs associated with the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. Specifically, we reviewed CORE's (1) program performance and accomplishments, (2) accounting and internal control environment, (3) budget management and control, and (4) reporting.

## Results

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We found that CORE fulfilled the stated goals and objectives of the grants by awarding approximately \$1.8 million from NASA funds in scholarships to eligible high school students. However, we identified a number of deficiencies in CORE's accounting and internal control environment, as well as areas where NASA can improve its policies and procedures over grant management. Specifically, CORE failed to obtain a required audit of its operations for 2010, inaccurately recorded and reported certain financial

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<sup>1</sup> NASA OIG, "NASA's Grant Administration and Management" (IG-11-026, September 12, 2011).

information, charged \$60,511 in unallocable or unallowable expenditures, and failed to maintain appropriate time and attendance documentation to support personnel charges totaling \$156,409. We also found that CORE failed to file or was late in filing required financial and inventory reports. In addition, CORE inappropriately displayed NASA's name and insignia on its website.

## Management Action

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To remedy the deficiencies identified, we recommended that the Assistant Administrator for Procurement strengthen NASA's policies and procedures to ensure that grantees obtain required audits, update the NASA Grant and Cooperative Agreement Handbook (Grant Handbook) to reflect the current practice of the NASA Shared Services Center (NSSC) regarding inventory reports, and work with the Associate Administrator for Communications to clearly delineate in the Grant Handbook and award documentation the requirements for use of NASA's logo and insignia. We also recommended that the NSSC Executive Director and the Associate Administrator for Education work together to ensure that CORE remedies the \$156,409 in unsupported costs and \$60,511 in unallocable or unallowable expenditures identified, verify that CORE did not charge expenditures to both NASA and Department of Education grants, and ensure that CORE submits all required reports for the 2009 and 2010 grants. Finally, we recommended that prior to awarding any future grants to CORE the Executive Director and the Associate Administrator ensure that CORE has strengthened and formally documented its internal controls to comply with NASA and Office of Management and Budget (OMB) requirements.

In response, the Assistant Administrator stated that NSSC has already taken corrective action that addresses our recommendation to ensure that grantees obtain required audits. In addition, the Assistant Administrator stated that he advised NSSC to rescind its memorandum regarding the submission of final property inventory reports and to work with the Headquarters Office of Communications to develop formal written procedures for approving the use of the NASA seal, insignia, logo, program identifiers, or flags. The Executive Director stated that NSSC would request that the Office of Naval Research conduct incurred cost audits for unsupported, unallocable, or unallowable expenditures and verify that CORE did not charge certain expenditures to both NASA and Department of Education grants. Additionally, the Executive Director stated that NSSC would notify CORE by July 31, 2012, to revise its internal controls to address OMB and Grant Handbook Financial Management requirements and will review the revisions for compliance before awarding any new grants to the organization. Finally, NSSC will request that CORE submit final inventory reports by July 31, 2012.

We consider the Agency's proposed actions responsive to our recommendations. Accordingly, we have resolved the recommendations and will close them upon receipt and verification of supporting documentation.

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## INTRODUCTION

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### Background

The National Aeronautics and Space Administration (NASA) faces the ongoing challenge of ensuring that the approximately \$500 million in grants it awards annually are administered appropriately and that grantees are accomplishing stated objectives. In September 2011, the NASA Office of Inspector General (OIG) reported that NASA did not have an adequate system of controls in place to ensure proper administration and management of its grant program and that as a result some grant funds were not being used for their intended purposes.<sup>2</sup>

As a follow-on to our September 2011 report, we are conducting a series of audits examining particular NASA grants. In this report, we present the results of our review of two \$1 million grants NASA made to the Philadelphia College Opportunity Resources for Education (CORE) in 2009 and 2010.<sup>3</sup>

Table 1. Philadelphia CORE Grants Reviewed			
Grant Award	Start Date	End Date	Award Amount
NNX09AQ33G	9/27/2009	9/30/2010	\$1,000,000
NNX10AH59G	8/5/2010	9/30/2011	1,000,000
<b>Total</b>			<b>\$2,000,000</b>

Source: NASA grant award files

Founded in 2003, CORE is a not-for-profit organization that provides college scholarships to high school seniors who reside and attend high school in Philadelphia, Pennsylvania; plan to attend a Pennsylvania college or university full time; and have a financial need. In addition to NASA, CORE also receives grants from other Federal agencies and other sources. As of September 2011, CORE had awarded \$28.3 million in college scholarships to 23,666 students.

The NASA Grant and Cooperative Agreement Handbook (Grant Handbook) contains the policies and procedures NASA procurement and technical officers and grantees must

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<sup>2</sup> NASA OIG, “Audit of NASA’s Grant Administration and Management” (IG-11-026, September 12, 2011).

<sup>3</sup> Both grants were funded as a result of congressional earmarks. We judgmentally selected these grants for review based on dollar value and other factors.

follow in the pre-award, post-award, and closeout phases of grant management.<sup>4</sup> The Grant Handbook serves as a reference manual and assists grantees in meeting their fiduciary responsibility to safeguard grant funds and ensure they are used appropriately and consistently with the terms and conditions of the award. By accepting NASA awards, CORE agreed to comply with the financial and administrative requirements set forth in the Grant Handbook.

## Objectives

The overall objective of this audit was to determine whether CORE used NASA funds as intended and whether associated expenditures were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grants. Specifically, we reviewed CORE's (1) program performance and accomplishments, (2) accounting and internal control environment, (3) budget management and control, and (4) reporting.

To accomplish our audit, we conducted interviews with representatives from NASA Headquarters Office of Procurement, NASA grant and technical officers, and CORE's Executive Officer.<sup>5</sup> We also visited CORE's office to document accounting, procurement, and project management processes and internal controls. Finally, we reviewed laws, regulations, and documentation pertinent to our audit. Additional details of the audit's scope and methodology, our review of internal controls, and prior audit coverage are in Appendix A.

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<sup>4</sup> NASA Procedural Requirements (NPR) 5800.1, "Grant and Cooperative Agreement Handbook," is codified in the Code of Federal Regulations (C.F.R.) at Part 1260. NASA issues Grant Information Circulars to disseminate guidance internally and issues Grant Notices to publicize regulatory changes not yet incorporated in the current version of the Grant Handbook.

<sup>5</sup> The grant officers for the grants reviewed were located at NSSC and the technical officer for both grants was located at the Ames Research Center.



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## FINDINGS AND RECOMMENDATIONS

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We determined that CORE adequately fulfilled the stated goals and objectives of the two grants we reviewed. Specifically, CORE awarded approximately \$1.8 million in scholarships to eligible high school students using NASA funds. However, we identified a number of deficiencies in CORE's accounting and internal control environment. Specifically, CORE failed to obtain a required audit of its operations for 2010, inaccurately recorded and reported certain financial information, failed to maintain appropriate time and attendance records to support personnel charges totaling \$156,409 and charged \$60,511 in unallocable or unallowable expenditures. We also found that CORE failed to file or was late in filing required financial and inventory reports to NASA. In addition, CORE inappropriately displayed NASA's name and insignia on its website. Finally, we identified areas where NASA can improve its policies and procedures over grant management.

### Program Performance and Accomplishments

The overarching goal of the two NASA CORE grants was to provide scholarships to needy high school seniors in Philadelphia, Pennsylvania. To determine whether CORE met this goal, we interviewed CORE's Executive Director and reviewed supporting documentation.

We confirmed that CORE funded approximately \$1.8 million in scholarships with NASA grant funds over the 2-year period covered by the grants and spent the remaining \$200,000 on administrative expenses associated with the program. We examined the administrative expenditures and, with the exceptions discussed below, determined they were reasonable.

### Accounting and Internal Controls

According to the Grant Handbook, grant recipients are required to establish and maintain accounting and internal control systems to account for the funds awarded to them. To test the adequacy of CORE's systems, we requested copies of CORE's required outside audit ("Single Audit") report, interviewed CORE's Executive Director, and reviewed CORE's accounting activities.

We found that CORE had knowledgeable and experienced staff responsible for the areas we reviewed and that staff and management openly communicated regarding CORE's mission and goals. We also found that financial duties were reasonably segregated between CORE's staff, bookkeeper, and Board of Directors. However, we noted that CORE had not formally documented many of its operating procedures.

**Single Audit.** According to the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” June 26, 2007, any grantee that expends more than \$500,000 in Federal funds in any given year must obtain an outside audit of its operations. These Single Audits review the grantee’s financial statements, internal controls, and compliance with laws and regulations and may identify questioned costs and make recommendations for corrective action. The Circular requires grantees to submit Single Audit reports to the Federal Audit Clearinghouse within 30 days of completion or 9 months after the end of the audit period, whichever is earlier.<sup>6</sup>

In 2009, CORE did not expend more than \$500,000 in Federal funds, so no Single Audit was required. In 2010, CORE expended \$1.7 million in Federal funds, triggering the Single Audit requirement. However, CORE did not obtain a Single Audit for 2010. According to the Executive Director, she was not aware of the requirement to obtain a Single Audit. After we brought the matter to her attention, she engaged an independent public accounting firm to perform the audit.<sup>7</sup>

**Financial Management.** According to the Grant Handbook, grantees’ financial management systems should provide accurate, current, and complete disclosure of financial results and records that adequately identify the source and application of funds used for federally sponsored activities. Grantees should also have effective controls over and accountability for all funds, property, and other assets and adequately safeguard and ensure such assets are used solely for authorized purposes. Additionally, grantees’ accounting records should be supported by source documentation.

To record its financial operations, CORE uses a commercial off-the-shelf software package that tracks expenditures and revenues by grant program. We reviewed 14 personnel transactions CORE had charged to the NASA grants – 5 from 2009 and 9 from 2010 – and found the amounts recorded in CORE’s general ledger were not consistent with the supporting documentation. Specifically, CORE’s 2009 general ledger reflected \$12,641 in personnel costs, but the associated payroll documentation totaled \$16,103. Similarly, CORE’s 2010 general ledger reflected \$17,885 in expenses, but the associated payroll documentation totaled \$21,654. The Executive Director was initially unable to explain these discrepancies. However, immediately prior to the issuance of the draft report, the Executive Director provided documentation supporting that the discrepancies identified in CORE’s 2009 general ledger resulted from the salary of two individuals being recorded under a separate grant awarded by another Federal agency, with only a portion of the benefits associated with those two payroll transactions being recorded under NASA’s grant. While we believe that similar circumstances may also explain the discrepancies identified in CORE’s 2010 general ledger, we received no supporting documentation to confirm that this was the case. As a result, while we no longer take

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<sup>6</sup> The Federal Audit Clearinghouse disseminates audit information, supports OMB oversight and assessment of Federal audit requirements, assists Federal oversight agencies in obtaining A-133 data, and helps minimize the reporting burden of complying with A-133 audit requirements.

<sup>7</sup> The Single Audit was not complete as of March 2012.

issue with the 2009 discrepancies, the 2010 discrepancies remain of concern. Because CORE prepared its financial reports based on its general ledgers, these reports also understated CORE's personnel costs reported to NASA.

**Grant Drawdowns.**<sup>8</sup> The Grant Handbook establishes the procedures by which NASA makes payments to grantees. Pursuant to the Handbook, grantees should draw down the minimum funds needed to cover expenditures. In addition, they are required to invest any funds that exceed expenses in an interest bearing account and remit any interest over \$250 to the Department of Health and Human Services' Payment Management System (PMS) for return to the Treasury.

For the two grants reviewed, NASA disbursed a total of \$2 million. We compared drawdowns with grant expenditures and found that CORE generally based its drawdowns on the expenditures reflected in its general ledger and made drawdowns in accordance with the requirements of the Grant Handbook (see Table 2 for details). We identified one instance in which CORE withdrew \$3,925 in excess of expenditures and did not invest the excess funds in an interest bearing account. However, because this amount would not have generated more than \$250 in interest over the life of the grant, there was no loss to the Government due to CORE's action.

<b>Table 2. Philadelphia CORE Drawdowns</b>			
<b>Grant Award</b>	<b>Amount of Drawdown per PMS</b>	<b>Grant Expenditures per the General Ledgers</b>	<b>Expenditures in Excess of Drawdown</b>
NNX09AQ33G	\$ 465,900	\$ 616,201	\$150,301
	465,900	311,674	(154,226)
	68,200	90,760	22,560
<b>Grant total</b>	<b>\$1,000,000</b>	<b>\$1,018,635</b>	<b>\$ 18,635</b>
NNX10AH59G	\$ 471,900	\$ 878,916	\$407,016
	373,925	173,620	(200,305)
	116,491	3,123	(113,368)
	37,684	301	(37,383)
<b>Grant total</b>	<b>\$1,000,000</b>	<b>\$1,055,960</b>	<b>\$ 55,957</b>

Source: PMS and CORE's general ledgers

<sup>8</sup> The term "draw down" refers to the action in which the grantee withdraws funds from the U.S. Department of Health and Human Services' Payment Management System, which NASA and other Federal agencies use.

**Grant Expenditures.** To determine the accuracy and allowability of costs charged to the grants, we reviewed a sample of CORE's expenditures, including personnel expenditures for CORE staff working on the grants; non-personnel expenditures such as rent and supplies; and scholarship payments. In total, we reviewed \$594,833 in grant transactions, or 30 percent of the total amount expended for the two grants. Of that amount, we questioned \$216,920, as discussed below and shown in Appendix B.

**Personnel Expenditures.** OMB Circular A-122, "Cost Principles for Non-Profit Organizations," August 31, 2005, states that charges to awards for salaries and wages will be based on documented payrolls approved by a responsible official of the organization that reflect the distribution of activity of each employee whose compensation is charged to awards. Each report must account for the total activity for which employees are compensated in fulfillment of their obligations to the organization. A responsible supervisory official having first-hand knowledge of the activities performed by the employee must sign the reports.

We tested 14 personnel transactions totaling \$30,526 (out of a total of \$156,409) for compliance with OMB requirements. We found that:

- CORE employees did not prepare time and attendance reports consistently documenting the total number of hours worked each day;
- signatures of both the preparer and the responsible supervisory official were not consistently provided; and
- although the reports described specific work activities, they did not identify the grant to which those activities applied.

In light of the deficiencies identified in our sample, we asked the Executive Director whether there was additional documentation to support the personnel expenditures CORE charged to the NASA grants. The Executive Director advised us that she believed the time and attendance reports were adequate and that she did not have any other supporting documentation. Because we found the time and attendance reports deficient, we question the \$156,409 in total personnel expenditures charged to the grants.

**Non-Personnel Expenditures.** We reviewed 110 non-personnel transactions totaling \$564,307, or 28 percent of total expenditures for the two grants reviewed. These transactions included payments for computer support/maintenance services, rent, office supplies, and contractor expenses. We compared the transactions with the NASA-approved budget and traced them to supporting documentation to determine whether they were properly authorized, classified, and supported.

We found CORE inappropriately charged \$58,000 in expenditures for computer support/maintenance services that were not allocable to the grants, and \$2,760 in unallowable expenditures for items such as duplicate payroll, bank fees, and late fees.

See Table 3 for a complete list of the \$60,511 in unallocable or unallowable costs that we identified.

<b>Table 3. Questioned Costs to the NASA Grants *</b>		
<b>Type of Cost</b>	<b>Number of Transactions</b>	<b>Questioned Amount</b>
Computer support/maintenance (2009)	1	\$43,000
Computer support/maintenance (2010)	1	15,000
Duplicate payroll	1	1,036
Late fees	3	465
Sales tax	5	361
Bank fees	9	322
Vendor invoice calculation errors	3	169
Duplicate storage fees	1	158
<b>Total</b>	<b>24</b>	<b>\$60,511</b>
* Excludes unsupported personnel costs previously discussed in the report.		

Source: CORE's 2009 and 2010 general ledgers

Charges for late fees, sales tax, and bank fees are unallowable expenses in accordance with both OMB Circular A-122 and the direction provided to CORE by the NASA grant officer. Further, the computer support/maintenance fees of \$43,000 are not allocable to the NASA awards, as they related to a contract for "continuing" services that CORE entered into on May 19, 2009, more than 90 days before NASA awarded the 2009 grant to CORE.<sup>9,10</sup> When we asked the Executive Director about this charge, she indicated the expenses should have been charged to a Department of Education grant rather than the NASA grant. In October 2011, CORE retroactively adjusted its general ledger relating to this entry.

<sup>9</sup> An allocable cost, according to OMB Circular A-122, is cost that can be allocated as a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances. Further, any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies or to avoid restrictions imposed by law or by the terms of the award.

<sup>10</sup> We also noted that CORE did not record this expense in its general ledger until September 1, 2009, almost 3 months after paying for the services.

For the 2010 award, NASA was again charged for computer support/maintenance, which was \$30,000. However, according to the 2010 grant budget, this cost should have been split equally between NASA and the Department of Education. The Executive Director could not explain why this expense was charged only to NASA. Accordingly, we question \$15,000 of the charge as unallocable.

Finally, we noted that in December 2011 CORE made three additional retroactive adjustments to its accounting records to apply expenses for scholarship awards totaling \$24,500 to the NASA grant. The Executive Director subsequently advised that additional adjustments were made, amounting to a grand total of \$43,000 in retroactive entries to the general ledger. Because these adjustments and the \$43,000 adjustment discussed above were made after we concluded our fieldwork in that area, we were not able to determine whether they were appropriate or supported by adequate documentation. However, we are concerned that CORE made these adjustments without NASA's knowledge and after the 2009 grant had been closed. Moreover, because CORE's Federal Financial Reports reflect the original entries and we have not reviewed the legitimacy of the retroactive adjustments, we cannot be certain that the filed reports accurately reflect the NASA grant activity.

**Scholarship Awards.** CORE awarded a total of \$1.8 million in scholarships using NASA grant funds. CORE paid the scholarships directly to the Pennsylvania colleges and universities attended by the student recipients. We reviewed scholarship payments issued to six educational institutions totaling \$430,975 and compared the amounts recorded in CORE's general ledgers with the amounts issued. In addition, we reviewed the individual student scholarship awards obtained from CORE's scholarship system and compared them with the amounts issued. We found that CORE had adequate documentation to support the payments and that data in the scholarship system aligned with the transactions included in the general ledgers.

## **Budget Management and Control**

According to the Grant Handbook, the budget plan is the financial expression of the project or program as approved during the award process. Although NASA assumes no responsibility for budget overruns, recipients may spend grant funds without strict adherence to individual allocations within proposed budgets, except when they relate to the acquisition of property, awarding of subcontracts, or certain revisions to budget and program plans. In addition, NASA may, but is not required to, restrict a grantee's ability to transfer funds among direct cost categories or programs, functions, and activities for awards that exceed \$100,000 when the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total NASA-approved budget. NASA did not place any such restrictions on CORE.

As we noted in our September 2011 report reviewing NASA's overall grant management, allowing grant recipients such broad discretion to deviate from approved budgets in our

view increases the risk that they may incur unauthorized or unallowable costs or expenditures unrelated to the purpose of the grant. In this audit, we examined the extent to which CORE adhered to the NASA-approved budgets by comparing the amounts CORE expended in each general ledger category with the approved budgets.

We did not identify any instances in which CORE failed to conform to the requirements of the Grant Handbook. Nevertheless, we are concerned about several instances in which CORE deviated from the approved budget or otherwise failed to comply with direction from NASA. First, for the reasons discussed above, we question \$43,000 and \$15,000 in computer support and maintenance expenses CORE charged to the NASA grants in 2009 and 2010 respectively. Second, the NASA grant officer disapproved six items totaling \$32,765 in CORE's proposed 2009 budget and one item in CORE's proposed 2010 budget and instructed CORE to reallocate these items to other cost categories. However, we found items recorded in CORE's general ledgers in the initial, disallowed categories. Finally, we identified several expenditures in the general ledger that exceeded the budgeted amount approved by NASA, which CORE covered by tapping into other approved cost categories. See Tables 4 and 5 for more details.

<b>Table 4. CORE Budget and Expenses for the 2009 Grant</b>			
<b>Expenditure Category</b>	<b>Approved Grant Budget</b>	<b>General Ledger Expenditures</b>	<b>Expenditure in Excess of Budget</b>
Scholarship awards	\$ 885,110	\$ 886,000	\$ 890
Personnel	53,550	51,251	(2,299)
Scholarship system software & support	21,500	43,000	21,500
Office supplies	19,250	1,380	(17,870)
Office equipment	2,700	3,768	1,068
Publishing & printing	1,690	0	(1,690)
Postage & delivery	1,800	968	(832)
Telephone, fax, & Internet	750	841	91
Subscriptions	450	470	20
Travel	1,200	168	(1,032)
Systems development	12,000	0	(12,000)
Fiscal management, customer services*	0	15,357	15,357
Rent*	0	12,633	12,633
Insurance*	0	1,576	1,576
Storage*	0	975	975
Bank fees*	0	248	248
<b>Total</b>	<b>\$1,000,000</b>	<b>\$1,018,635</b>	<b>\$18,635</b>
* As previously discussed, these items were in the CORE proposed budget; however, the NASA Budget Memorandum identified these items as unapproved and NASA directed CORE to reallocate them to other cost categories.			

Source: NASA grant award file and CORE's 2009 general ledger



<b>Table 5. CORE Budget and Expenses for the 2010 Grant</b>			
<b>Cost Category</b>	<b>Approved Budget</b>	<b>General Ledger Expenditures</b>	<b>Amount in Excess of Budget</b>
Scholarship awards	\$ 860,465	\$ 894,900	\$34,435
Personnel	100,000	105,157	5,157
Scholarship system software & support	15,000	30,000	15,000
Rent	10,000	10,992	992
Development officer, consultant	7,500	7,620	120
Office supplies	2,000	2,028	28
Telephone, fax, & Internet	2,000	2,744	744
Postage & delivery	1,000	1,018	18
Storage	960	316	(644)
Subscriptions	750	898	148
Travel	125	126	1
Bank fees*	200	161	(39)
<b>Total</b>	<b>\$1,000,000</b>	<b>\$1,055,957</b>	<b>\$55,957</b>
* The NASA Budget Memorandum for the 2010 grant award identified bank fees as unapproved in the proposed budget. The grantee was directed to reallocate the bank fees to another cost category.			

Source: NASA grant award file and CORE's 2010 general ledger

In our September 2011 report, we recommended that the Assistant Administrator for Procurement revise the Grant Handbook to require a minimum threshold for all grantee budget deviations (excluding categories already requiring approval) and that technical officers approve budget deviations in excess of such threshold prior to the expenditure of grant funds. The Assistant Administrator for Procurement concurred with our recommendation and proposed corrective action. Accordingly, we are not making a recommendation concerning this issue in this report.

## Grant Reporting

The Grant Handbook requires grantees to submit quarterly and final Federal Financial Reports and final performance and inventory reports to NASA. The Federal Financial Reports show grantees' expenditures and drawdowns for the reporting period. Performance reports provide information on the progress of the work effort, and inventory reports document NASA-provided equipment and property valued at more than \$5,000 and equipment and property purchased by the grantee for \$1,000 or more.

**Financial Reports.** The Grant Handbook requires grantees to submit quarterly Federal Financial Reports to PMS following the end of each fiscal quarter (December 31, March 31, June 30, and September 30). For the 2009 award, CORE's quarterly reports were due 15 days after the end of the quarter. For the 2010 award, NASA changed the reporting requirements so that the quarterly reports were due within 30 working days of the end of the quarter. Grantees are required to report expenditures and drawdowns online for each calendar quarter of the award period. Grantees are also required to submit a final Federal Financial Report within 90 days of the award's completion date. According to OMB Circular A-110, Federal agencies are required to use Federal Financial Reports to monitor cash advanced to recipients and to obtain disbursement information.

We analyzed the quarterly and final Federal Financial Reports for the two grants we reviewed. As shown in Table 6, we found that the majority of CORE's Federal Financial Reports were late or not submitted at all. For the 2009 grant, three quarterly reports were never submitted and the fourth was 46 days late. For the 2010 grant, one quarterly report and the final report were never submitted and one quarterly report was 23 days late. CORE's Executive Director stated that the first report for the 2009 grant was not submitted because she could not access PMS and did not withdraw any grant funds during that period. However, the Grant Handbook requires reporting even when no funds have been withdrawn. The Executive Director said the other 2009 reports were not submitted because she inadvertently failed to complete a step in the submission process requiring her to certify the reports' accuracy. The Executive Director acknowledged missing one quarterly report for the 2010 grant. She said she did not submit the final reports because NASA had disabled the reporting functionality following the close of the grant period. However, as previously mentioned, the grant award documents and the Grant Handbook allowed the recipient 90 days after award completion to submit the required reports.

Table 6. Timeliness of CORE Financial Reports				
Number	Report Period Ending	Due Date	Date Submitted	Days Late
1	December 31, 2009	1/25/10	not submitted	—
2	March 31, 2010	4/21/10	not submitted	—
3	June 30, 2010	7/23/10	not submitted	—
4	September 30, 2010	10/22/10	12/29/10	46
5	2009 Award – Final Report	12/29/10	12/15/10	0
6	December 31, 2010	2/15/11	2/9/11	0
7	March 31, 2011	5/12/11	not submitted	—
8	June 30, 2011	8/12/11	9/15/11	23
9	September 30, 2011	11/16/11	10/26/11	0
10	2010 Award – Final Report	12/29/11	not submitted	—

Source: Grant Handbook requirements for Federal Financial Reports; CORE's submitted reports

According to PMS support staff, the system should suspend a grantee's account when a report is not received within 90 days of the reporting deadline. However, this control was not entirely effective for the CORE grants and CORE was able to continue withdrawing funds despite having failed to submit the required reports. According to PMS officials, the system was corrected in September 2011.

NASA policy requires that the Finance Office of the NASA Shared Services Center (NSSC) use PMS and the quarterly Federal Financial Reports to monitor grantees' drawdown activity and to ensure that the timing and amount of drawdowns are as close as administratively feasible to actual disbursements.<sup>11</sup> However, we found that NSSC does not consistently review the timeliness or accuracy of NASA grantees' Federal Financial Reports, instead relying on PMS to oversee the submission of the reports and suspend accounts as appropriate. In this case, this complete reliance on PMS resulted in a noncompliant grantee repeatedly receiving drawdowns of NASA grant funds.

**Performance Reports.** The Grant Handbook and the terms of each of the grants we reviewed required CORE to submit annual performance reports to NASA 60 days prior to the grant anniversary date and a final performance report no later than 90 days after the completion of each grant.

Both CORE grants had a 1-year period of performance, so only final reports were required. In both instances, CORE submitted timely final reports.

<sup>11</sup> NPR 9680.1, "NASA's Management of Grants and Cooperative Agreements," October 31, 2008.

**Inventory Reports.** According to the grant award documents and the Grant Handbook, CORE was required to submit final inventory reports to NASA 60 days after the completion of each grant. However, CORE did not submit inventory reports for either grant. According to the Executive Director, she did not file the reports because she was not able to identify the individual at NASA to which the reports needed to be submitted. NASA closed out the 2009 grant and is in the process of closing out the 2010 grant in the absence of these reports.

According to a 2009 NSSC memorandum, NSSC's closeout process will no longer require inventory reports when it is clear that no Government inventory was provided to the grantee. However, NASA has not updated the Grant Handbook to reflect this change.

## Other Matters of Interest

During the course of our review, we learned that the grantee was using NASA's acronym and insignia on its public website in a manner inconsistent with applicable laws and regulations.

Image from CORE's Webpage



Source: CORE's S2P2 webpage as of February 24, 2012

The National Aeronautics and Space Act of 1958 provides that no person may knowingly use the letters "NASA" as a business name in a manner reasonably calculated to convey the impression that the business has some connection with, endorsement of, or authorization from NASA that does not exist or in connection with any product or service being offered or made available to the public that conveys the impression that NASA authorizes, supports, or endorses the product or service.<sup>12</sup> In addition, Federal regulations limit the use of the NASA insignia to certain specified purposes and prohibit other uses of the insignia without the express approval of NASA.<sup>13</sup> CORE's use of the insignia did not fall into any of the authorized categories, and CORE did not have approval from NASA to use its name or insignia on CORE's website.

The CORE Executive Director told us she was not aware that CORE's use of the NASA name and insignia on the website was inappropriate, and the NASA technical officer

<sup>12</sup> Public Law 85-568, "National Aeronautics and Space Act of 1958," July 29, 1958.

<sup>13</sup> 14 C.F.R. §1221.110.

responsible for oversight of the CORE grant said she was not aware of the legal restrictions on the use of this information.<sup>14</sup> Once we notified the grantee of the restrictions, the grantee removed the NASA reference and insignia from its website.

## **Recommendations, Management's Response, and Evaluation of Management's Response**

**Recommendation 1.** We recommended that the Assistant Administrator for Procurement strengthen policies and procedures to ensure that grantees obtain A-133 Single Audits or program-specific audits when they expend more than \$500,000 in Federal awards.

**Management's Response.** The Assistant Administrator for Procurement concurred, stating that NSSC implemented procedures and documented them in policy dated April 6, 2012. NSSC obtains quarterly reports from NASA's accounting system to identify recipients with drawdowns equal to or greater than \$500,000 for the fiscal year. Once identified, NSSC notifies recipients of the OMB Circular A-133 Single Audit requirement. NSSC also revised its standard award letter to remind recipients of this requirement.

**Evaluation of Management's Response.** Notifying NASA recipients of the A-133 Single Audit requirement when they have drawdowns that are equal to or greater than \$500,000 for the fiscal year is responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of supporting documentation.

**Recommendation 2.** We recommended that the Assistant Administrator for Procurement update the Grant Handbook to reflect current practice regarding inventory reports.

**Management's Response.** The Assistant Administrator for Procurement agreed that the Grant Handbook should reflect current practice, but stated that by issuing the 2009 memorandum NSSC did not intend to waive the requirement for a final property inventory report. Accordingly, the NSSC memorandum was rescinded on July 2, 2012, and the Grant Handbook accurately reflects current practice.

**Evaluation of Management's Response.** Management's action is responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of supporting documentation.

**Recommendation 3.** We recommended that the Assistant Administrator for Procurement work with the Associate Administrator for Communications to clearly delineate the

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<sup>14</sup> The only discussion of use of the NASA name or logo in the Grant Handbook is a requirement that grantees that disseminate research produced using NASA funds include in their reports an acknowledgement of NASA's support and the grant number.

requirements surrounding the use of NASA's logo and insignia in the Grant Handbook and on award documentation.

**Management's Response.** The Assistant Administrator for Procurement concurred, stating that a new grant and cooperative agreement provision for the use of the NASA seal, insignia, logo, program identifiers, or flags will be added to the Grant Handbook. The Assistant Administrator also stated that NSSC will work with the Associate Administrator for Communications to develop formal written procedures for review of requests to use NASA's seal, insignia, logo, program identifiers, or flags.

**Evaluation of Management's Response.** Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of supporting documentation.

**Recommendation 4.** We recommended that the NSSC Executive Director, in conjunction with the Associate Administrator for Education, ensure that CORE remedies the \$156,409 in unsupported payroll expenditures.

**Management's Response.** The NSSC Executive Director concurred, stating that by July 31, 2012, NSSC will request that the Office of Naval Research conduct an incurred cost audit on these expenditures and will seek remedy from CORE as appropriate within 60 days of receipt of the audit report.

**Evaluation of Management's Response.** Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt of supporting documentation.

**Recommendation 5.** We recommended that the NSSC Executive Director, in conjunction with the Associate Administrator for Education, ensure that CORE remedies the \$60,511 in unallocable or unallowable expenditures.

**Management's Response.** The NSSC Executive Director concurred, stating that by July 31, 2012, NSSC will request that the Office of Naval Research conduct an incurred cost audit on these expenditures and will seek remedy from CORE as appropriate within 60 days of receipt of the audit report.

**Evaluation of Management's Response.** Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt of supporting documentation.

**Recommendation 6.** We recommended that the NSSC Executive Director, in conjunction with the Associate Administrator for Education, work with CORE to verify that the expenditures charged to the NASA grants that CORE claims should have been charged to Department of Education grants were not charged to both grants.

**Management's Response.** The NSSC Executive Director concurred, stating that by July 31, 2012, NSSC will request the Office of Naval Research to conduct an incurred cost audit to verify that the expenditures were charged to the appropriate grants and will seek remedy from CORE as appropriate within 60 days of receipt of the audit report.

**Evaluation of Management's Response.** Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt of supporting documentation.

**Recommendation 7.** We recommended that the NSSC Executive Director, in conjunction with the Associate Administrator for Education, ensure that CORE submits all required reports for the 2009 and 2010 grants.

**Management's Response.** The NSSC Executive Director partially concurred, stating that the Department of Health and Human Services' Payment Management System does not allow grantees to submit late quarterly Federal Financial Reports. Instead, grantees must reflect financial information from late quarterly reports on subsequent reports. The Executive Director stated that NSSC will request that CORE submit the final inventory reports for each of the two audited grants.

**Evaluation of Management's Response.** We consider the proposed action responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of supporting documentation.

**Recommendation 8.** We recommended that prior to awarding any future grants to CORE, the NSSC Executive Director and the Associate Administrator for Education ensure that CORE has strengthened and formally documented its internal controls to ensure compliance with NASA and OMB requirements.

**Management's Response.** The NSSC Executive Director concurred, stating that NSSC will designate CORE as requiring additional special conditions per the Grant Handbook and request that CORE revise its internal controls to address OMB Circulars and Grant Handbook Financial Management requirements. The Executive Director added that NSSC will review CORE's revised controls before awarding any new grants to the organization.

**Evaluation of Management's Response.** Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of supporting documentation.





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**APPENDIX A**

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**Scope and Methodology**

We performed this audit from October 2011 through June 2012 in accordance with generally accepted government auditing standards. 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 based on our audit objectives.

Our overall audit objective was to determine whether NASA's grant funds were being used for their intended purpose and whether the Agency was compliant with established laws, regulations, and NASA-specific requirements in its administration and management of the grants. To accomplish our objective, we interviewed key personnel at NSSC and at CORE involved in the grant administration, management, and award processes. We also identified and reviewed relevant Federal laws and regulations and NASA policies, procedures, and requirements. The methodology we used for the review is described below.

**Grant Selection.** We judgmentally selected the two grants awarded to CORE for substantive testing based on the dollar value and the number of supplements awarded. Both grants were funded as a result of congressional earmarks and were awarded by NSSC.

**Grant Award File Documentation.** We reviewed grant award documentation including proposal, budget, technical review reports, and summary financial reporting documentation. We interviewed NASA grant officers and the NASA technical officer responsible for the CORE grants.

**Grantee Site Visits.** We visited the grantee's location in Philadelphia, Pennsylvania. We interviewed grantee officials and performed the substantive transaction testing necessary to validate whether NASA grant funds were used for their intended purpose while assessing the sufficiency of grantee performance.

**Testing Conducted.** We tested compliance with what we considered the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against included Federal requirements, the Grant Handbook, and the terms and conditions of the grants. In conducting our audit, we employed judgmental sampling designed to obtain broad exposure to numerous facets of the grants reviewed, such as dollar amounts or expenditure category. This non-statistical sample design does not allow projection of the test results to the universes from which the samples were selected.

Specifically, we tested the grantee's:

- **Program Performance and Accomplishments** to determine whether the grantee met or is capable of meeting the grant objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.
- **Accounting and Internal Controls** to determine whether the grantee had sufficient accounting and internal controls to identify and report expenditures and reimbursements. This included testing:
  - **Grant Drawdowns** to determine whether grant drawdowns were adequately supported and whether the grantee was managing grant receipts in accordance with Federal requirements; and
  - **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant.
- **Budget Management and Control** to determine the amounts budgeted and the actual costs for each approved cost category and to determine whether the grantee deviated from the approved budget and, if so, whether the grantee received the necessary approval.
- **Grant Reporting** to determine whether the required reports were submitted on time and accurately reflected grant activity.

We also performed limited work and confirmed that CORE did not generate or receive program income, did not have any property or equipment that was reportable to NASA, was not required to contribute any local matching funds, did not have any subgrantees to monitor, and did not have any indirect costs associated with the grants we reviewed. We therefore performed no testing in these areas.

We identified and reviewed the following criteria as applicable to our audit objectives:

### **Federal Laws, Regulations, Policies, and Requirements**

Public Law 111-8, "Omnibus Appropriations Act, 2009," March 11, 2009

Public Law 111-116, "Consolidated Appropriations Act, 2010," December 16, 2009

Code of Federal Regulations (C.F.R.), Title 2, Part 215, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (OMB Circular A-110)," January 1, 2006

2 C.F.R. Part 230, "Cost Principles for Non-Profit Organizations (OMB Circular A-122)," August 31, 2005

14 C.F.R. Part 1260, “Grants and Cooperative Agreements,” Subpart A, October 19, 2000, with subsequent amendments

14 C.F.R. Part 1260, Subpart B, “Uniform Administrative Requirements for Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” October 19, 2000, with subsequent amendments

Title 31, United States Code, Chapter 63 (31 U.S.C. 63), “Using Procurement Contracts and Grant and Cooperative Agreements,” January 7, 2011

OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” June 26, 2007

### **NASA Policies, Procedures, and Circulars**

NASA Policy Directive 1200.1E, “NASA Internal Controls,” July 21, 2008

NASA Procedural Requirements (NPR) 5800.1, “Grant and Cooperative Agreement Handbook,” Section A, June 13, 2008 and Section B, April 20, 2007

NPR 9010.3, “Financial Management Internal Control,” September 30, 2008

NPR 9680.1, “NASA’s Management of Grants and Cooperative Agreements,” October 31, 2008

Grant Information Circular (GIC) 05-03, “Additional Guidance Related to the Processing of Unsolicited Proposals, Successor Proposals and Congressional Interest Items (Earmarks),” April 7, 2005

GIC 08-01, “Ensuring Only Allowable, Reasonable, and Necessary Costs in the Award of Grants and Cooperative Agreements,” February 14, 2008

GIC 09-02, “Guidance On Processing Congressionally Directed Items (Earmarks) for Fiscal Year (FY) 2009,” July 23, 2009

GIC 09-04, “Substitution of Standard Form (SF) 425 for Standard Form (SF) 272: Class Deviation from the Requirements at C.F.R. 1260.26 and Exhibits D & G of 14 C.F.R. Part 1260,” October 27, 2009

GIC 11-01, “Implementation of the Federal Funding Accountability and Transparency Act (FFATA) of 2006,” January 24, 2011

GIC 11-02, “Requirements for Non-Competitive Agency Grant and Cooperative Agreement Actions, Exclusive of those Actions Prescribed by 14 C.F.R. 1260.17, Evaluation and Selection of Unsolicited Proposals,” May 24, 2011

**Use of Computer-Processed Data.** We relied on NASA computer-processed data to determine the NASA grants universe and to provide financial data. While we obtained grant drawdown data and the Federal Financial Reports used during the audit from the Department of Health and Human Services' PMS, we did not perform any substantive testing of PMS to validate the completeness or accuracy of the data. As a result, we placed limited reliance on the accuracy of the data obtained from PMS. Further, we also placed limited reliance on the information obtained from the grantee's financial system to perform detailed transaction testing on the grantee's financial records.

## Review of Internal Controls

We reviewed internal controls for the grantee's administration and management of grants, including the adequacy of CORE's policies and procedures. The control weaknesses we identified are discussed in this report. Our recommendations, if implemented, should correct the identified control weaknesses.

## Prior Coverage

During the last 6 years, NASA and the GAO have issued the following reports and testimony that are of particular relevance to the subject of this report. Unrestricted reports can be accessed over the Internet at <http://oig.nasa.gov/audits/reports/FY12/> (NASA OIG) and <http://www.gao.gov> (GAO).

### NASA Office of Inspector General

“NASA’s Grant Administration and Management” (IG-11-026, September 12, 2011)

“Audit of NASA’s Recovery Act Procurement Actions at Johnson Space Center, Goddard Space Flight Center, Langley Research Center, and Ames Research Center” (IG-10-017, July 27, 2010)

“Final Memorandum on Review of Wheeling Jesuit University Cost Proposals” (IG-09-020-Redacted, August 3, 2009)

“Final Memorandum on Audit of NASA Education and Training Grants” (IG-07-029-R, September 18, 2007)

“Audit of NASA’s Management and Funding of Fiscal Year 2006 Congressional Earmarks” (IG-07-028, August 9, 2007)

“Final Memorandum Regarding Duplicate Grant Funding,” August 10, 2006 (<http://oig.nasa.gov/audits/reports/FY06/A-06-006.pdf>)

Government Accountability Office

“Federal Grants – Improvements Needed in Oversight and Accountability Processes”  
(GAO-11-773T, June 23, 2011)

“Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue” (GAO-11-318SP, March 2011)

“Grants Management – Attention Needed to Address Undisbursed Balances in Expired Grant Accounts” (GAO-08-432, August 2008)

“Grants Management – Grantees’ Concerns with Efforts to Streamline and Simplify Processes” (GAO-06-566, July 2006)

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## TABLE OF QUESTIONED COSTS

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The following table shows the questioned costs identified during our audit and discussed in this report (see page 6 for the discussion of unsupported personnel costs; the discussion of unallowable non-personnel costs begins on page 6).

Questioned Costs*	Amount
<b>Unsupported costs:</b>	
Personnel Costs	<b>\$156,409</b>
<b>Unallocable costs:</b>	
Computer support/maintenance (2009)	\$43,000
Computer support/maintenance (2010)	\$15,000
<b>Total unallocable costs</b>	<b>\$58,000</b>
<b>Unallowable costs:</b>	
Duplicate Payroll	1,036
Late fees	465
Sales tax	361
Bank fees	322
Vendor invoice calculation errors	169
Duplicate Storage fees	158
<b>Total unallowable costs</b>	<b>\$2,511</b>
<b>Total</b>	
	<b>\$216,920</b>
* Questioned costs are expenditures that are questioned by the OIG because they are an alleged violation of legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unauthorized or unallowable.	

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## AGENCY COMMENTS

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National Aeronautics and  
Space Administration  
**NASA Shared Services Center**  
Stennis Space Center, MS 39529-6000



July 18, 2012

Reply to Attn of: **Office of the Executive Director**

TO: Assistant Inspector General for Audits

FROM: Executive Director

SUBJECT: Response to OIG Draft Report, "Audit of NASA Grants Awarded to the Philadelphia College Opportunity Resources for Education" (Assignment No. A-12-004-00)

The NASA Shared Services Center (NSSC) appreciates the opportunity to review the Office of Inspector General (OIG) draft report entitled "Audit of NASA Grants Awarded to the Philadelphia College Opportunity Resources for Education" (Assignment No. A-12-004-00).

We are pleased to acknowledge the fact that the report identifies no instances of waste, fraud, or abuse in the administration of this grant to the Philadelphia College Opportunity Resources for Education (CORE). Similarly, we are pleased that the report identifies no duplication of charges between grants issued to CORE by NASA and the U.S Department of Education.

In the draft report, the OIG outlines several findings relating to the subject grant award, and communicates a total of eight recommendations; three recommendations addressed to the Assistant Administrator for Procurement, and five recommendations addressed to the Executive Director of the NSSC. NASA's response to the OIG's recommendations, including planned corrective action and estimated completion dates, follows:

The OIG recommends that the Assistant Administrator for Procurement:

**Recommendation 1:** Strengthen policies and procedures to ensure that grantees obtain A-133 Single Audits or program-specific audits when they expend more than \$500,000 in Federal awards.

**Management's Response:** The HQ Office of Procurement concurs with this OIG recommendation. Since 2011, the NSSC has been generating quarterly reports from the Agency's accounting system reporting tool (i.e., Business Warehouse) for the purpose of identifying recipients with NASA financial assistance funds draw-downs that are equal to or greater than \$500,000 for the fiscal year. Once identified, the

recipients are sent email notifications reminding them of their OMB Circular A-133, Single Audit requirements. Moreover, the NSSC has revised the standard award letter that accompanies each grant and cooperative agreement to include a reminder notice of the recipient's OMB Circular A-133, Single Audit requirements. This additional internal control and associated procedures have been documented in NSSC Work Instruction NSWI-5100-0005 dated April 6, 2012.

As a result of the actions taken, we request that the OIG close this recommendation upon issuance of the final report.

**Recommendation 2:** Update the Grant Handbook to reflect current practice regarding inventory reports.

**Management's Response:** The HQ Office of Procurement concurs with this OIG recommendation contingent upon the following technical clarification. Upon further review and discovery, it was determined that the NSSC's localized deviation memorandum was not intended to waive the requirement for grant and cooperative agreement recipients to submit final property inventory reports (to include negative reports) as set forth in §1260.27, Equipment and Other Property. Accordingly, to remove any further confusion, the Assistant Administrator for Procurement advised the NSSC to rescind the NSSC's localized deviation in its entirety. The memorandum was rescinded on July 2, 2012. Consequently, we request that the OIG close this recommendation upon issuance of the final report.

**Recommendation 3:** Work with the Associate Administrator for Communications to clearly delineate the requirements surrounding the use of NASA's logo and insignia in the Grant Handbook and on award documentation.

**Management's Response:** The HQ Office of Procurement concurs with this OIG recommendation. Accordingly, the Office of Procurement has developed a new grant and cooperative agreement provision (§1260.82 Restrictions on the use of the NASA Seal, Insignia, Logotype, Program Identifiers, or Flags), that will be added to the NASA Grant and Cooperative Agreement Handbook via the impending rewrite and reform activity. In addition, the Assistant Administrator for Procurement will advise the NSSC to work with the HQ Office of Communications in the development of formal written procedures for the vetting, approval, and/or disapproval of recipient requests to use the NASA Seal, NASA Insignia, NASA Logotype, NASA Program Identifiers, or the NASA Flags. The estimated completion date for adding the new provision to the revised NASA Grant and Cooperative Agreement Handbook is August 1, 2013. The estimated completion date for the development of formal written procedures by the NSSC and HQ Office of Communications is December 31, 2012.



The OIG recommends that the Executive Director of the NSSC:

**Recommendation 4:** Ensure that CORE remedies the \$156,409 in unsupported payroll expenditures.

**Management's Response:** NSSC concurs with the recommendation. The NSSC will request that the Office of Naval Research (ONR) conduct an incurred cost audit report on the \$156,409 of payroll expenditures which the OIG found unsupported for grants NNX10AH59G and NNX09AQ33G. The NSSC will disposition the audit results in coordination with the NASA Office of Legislative Affairs. The NSSC will send the request for the audit to ONR by July 31, 2012. The NSSC will seek remedy by 60 days after receipt of the audit results.

**Recommendation 5:** Ensure that CORE remedies the \$60,511 in unallocable or unallowable expenditures.

**Management's Response:** NSSC concurs with the recommendation. The NSSC will request that ONR conduct an incurred cost audit on the \$60,511 of expenditures which the OIG found unallocable or unallowable for grants NNX10AH59G and NNX09AQ33G. The NSSC will disposition the audit results in coordination with the NASA Office of Legislative Affairs. The NSSC will send the request for audit to ONR by July 31, 2012. The NSSC will seek remedy by 60 days after receipt of the audit results.

**Recommendation 6:** Work with CORE to verify that the expenditures charged to the NASA grants CORE claims charged to the Department of Education grants were not charged to both grants.

**Management's Response:** NSSC concurs with the recommendation. The NSSC will request that ONR conduct an incurred cost audit for grants NNX10AH59G and NNX09AQ33G to verify that the expenditures charged to the NASA grants CORE charged to the Department of Education grants were not charged to both grants. In the request for audit, the NSSC will ask that ONR coordinate with the Department of Education in validating the costs in question. The NSSC will disposition the audit results in coordination with the NASA Office of Legislative Affairs. The NSSC will request the audit by July 31, 2012 and seek remedy by 60 days after receipt of the audit results.

**Recommendation 7:** Ensure that CORE submits all required reports for the 2009 and 2010 grants.

**Management's Response:** The NSSC partially concurs with the recommendation. The United States Department of Health and Human Services' Payment Management System (PMS) does not allow late quarterly Federal Financial Reports, Standard Form (SF) 425 submission. Therefore, financial information from past due quarterly reports

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are reflected on subsequent reports submitted through PMS. For the final inventory reports, the NSSC will request that CORE submit these reports for each of the two grants by July 31, 2012.

**Recommendation 8:** Prior to awarding any future grants to CORE, ensure that CORE has strengthened and formally documented its internal controls to ensure compliance with NASA and OMB requirements.

**Management's Response:** The NSSC concurs with the recommendation. The NSSC will notify and list CORE as requiring additional special conditions per section 1260.114 of the NASA Grant and Cooperative Agreement Handbook and request for the revision of their internal controls to address OMB Circular A-133, OMB Circular A-122 and the Grant Handbook Financial Management requirements. Before awarding a new grant to CORE, the NSSC will review CORE's revised internal controls for compliance with NASA and OMB requirements.

The NSSC will notify CORE by July 31, 2012.

Again, thank you for the opportunity to review and comment on the subject draft report. If you have further questions or require additional information on the NASA response to the draft memorandum, please contact Chris Songy at 228-813-6336.



Michael J. Smith

cc:  
Associate Administrator for Communications/Mr. Weaver  
Associate Administrator for Education/Mr. Melvin  
Assistant Administrator for Procurement/Mr. McNally  
Ames Research Center/Dr. Worden

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## GRANTEE COMMENTS

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**Donyale Reavis, Esq.**  
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### **MEMORANDUM**

**To:** Jim Morrison, NASA Assistant Inspector General for Audits  
Laura Nicolosi, NASA Mission Support Director, Office of Audits  
Joseph Shook, NASA Project Manager, Office of Inspector General

**From:** Donyale Reavis, Esq., Executive Director

**Subject:** Response by Philadelphia College Opportunity Resources for Education to the Audit of NASA Grants Awarded (Assignment No. A-12-004-00)

Philadelphia College Opportunity Resources for Education ("CORE") has reviewed the draft report prepared by the NASA Office of Inspector General and provides its response to the findings and recommendations. We appreciate the value of the audit process and look forward to working with you to continue our marked improvement of financial management of future agency awards.

We are pleased that NASA has agreed that CORE has accomplished the mission directive under the grant. There were no findings that called for specific action by CORE, and in fact, the report states that OIG auditors "found that CORE fulfilled the stated goals and objectives of the grants by awarding approximately \$1.8 million from NASA funds [which totaled \$2 million] in scholarships to eligible high school students." We are also pleased that the report "did not identify any instances in which CORE failed to conform to the requirements of the Grant Handbook."<sup>1</sup>

Accordingly, while no recommended actions were directed to CORE specifically, we submit the following responses to recommendations for action by either the Assistant Administrator for Procurement or the NSSC Executive Director in conjunction with the Associate Administrator for Education.

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<sup>1</sup> Draft Report A-12-004-00, dated as of June 20, 2012, at page 9.

Awardee's Comments to Report, dated as of July 28, 2012

**Response to Recommendation #1. Strengthen policies and procedures to ensure that grantees obtain A-133 Single Audits or program-specific audits when they expend more than \$500,000 in Federal awards.**

CORE management concurs with the recommendation.

Although the Grantee Handbook lists submission of an A-133 Single Audit Report as a required report, as a first time grantee, CORE was not sufficiently versed with the triggering threshold requirements for obtaining an A-133 audit. Given our lack of prior experience as a federal agency grantee, CORE relied the reporting instructions provided by our Program Officer and other NASA support staff.

For example, as indicated in an October 8, 2010 electronic correspondence received from Emily Polk of the NASA Shared Services Center, CORE was reminded of its outstanding reporting obligations,<sup>2</sup> and again on December 10, 2010.<sup>3</sup> In both electronic communications, Ms. Polk indicates that only two (2) reports are outstanding, neither of which includes an A-133 Single Audit Report nor an Inventory Report. Given that this correspondence originated with the responsible NASA office for grant closeout, CORE inferred that there were no other reporting requirements beyond those indicated by NASA in the only communications CORE received concerning outstanding reporting requirements. Again, CORE had no prior history of federal grant reporting to draw from in assuring our timely compliance with every reporting required expected of us, requirements which while indicated in our grantee handbook, were conflicted by verbal and written communications issued by NASA. Notwithstanding, no less than two days following our first knowledge of the A-133 Audit Report deficiency, CORE developed and submitted an RFP for engaging an independent auditor to conduct the A-133 Audits for both 2010 and 2011. On November 14, 2011 we received the bid from the auditor we ultimately engaged following a Board review of all responses received on December 19, 2011.

It should also be noted that while CORE has already received a draft copy of these audits, CORE will obtain the requisite final A-133 Single Audit Reports for both years by the end of FQ3 of FY2012, assuming NASA finally returns the requested confirmation of the awards granted to

<sup>2</sup> The full text of the October 8, 2010 email follows: From: Polk, Emily S. (NSSC-NSSC)[Legacy Resource Corporation] Sent: Friday, October 08, 2010 2:08 PM To: 'drewis@corephilly.org' Subject: NNN09AQ33G - SF 425 and Final Report - DUE by 12/29/2010: Close-out is responsible for closing out all grants and other instruments that have passed their physical completion date. The subject award has passed the date and is ready for final close-out, however, the following required reports are missing from the file:

- 1) Final SF 425 Cash Transaction Report (attached PDF document) is due.
- 2) Final Technical Report, summarizing research and findings.

Please send a copy of each required report to NSSC-Closeout@mail.nasa.gov. All final reports should be submitted to: NSSC-Closeout@mail.nasa.gov. Your efforts in answering this request are truly appreciated. If you have any questions or need additional information, please contact me at the email address below.

<sup>3</sup> The full text of the December 10, 2010 email follows: "This is a reminder that the final summary of research and SF 425 (financial report) for the above referenced award is due on or before 12/29/2010. If you have any questions or concerns, please feel free to contact me. If you have already submitted the report to a different location, I am sorry for the inconvenience, but ask that a courtesy copy be submitted to this address."

Awardee's Comments to Report, dated as of June 28, 2012

CORE for the years in question. To date, our requests have been unanswered by NASA since January 2012 when they were first issued.

It should be noted that CORE would have already received these final reports but for the fact that, as of the date of this writing, NASA has not returned our signed confirmation that the grants in question were in fact awarded to CORE, as is required under the instructions for the A-133 audit.

During FY 2012, CORE has continued to improve its information technology controls including policies and guidance concerning reporting compliance, and will continue to enhance application and general controls over reporting management going forward. We are constantly striving to implement improvements and strengthen the related administrative aspects of our oversight of programs, whether funded by federal, state or private dollars, and will continue to review all aspects of the reporting process for refinement, as appropriate.

**Response to Recommendation #2. Update the Grant Handbook to reflect current practice regarding inventory reports.**

Management concurs with this recommendation.

CORE agrees with NASA that the Grantee Handbook could be clearer, and had it been clearer, we could have been better able to comply with the reporting requirements. Particularly so for grantees, as with CORE, where there is no "inventory" involved in the grantee's business activities. Additionally, CORE management believes that it was the responsibility of NASA, as the grantor and the cognizant federal agency, to provide adequate notice of the requirement to produce inventory reports, particularly in the instance where a grantee does not have a research grant but an education award. Given that our grants supported a scholarship program there were no inventory purchases to report. However, while the Grant Handbook does indicate that a negative report is required in the instance of no inventory to report, neither the Grant Handbook nor our NASA Program Officer could direct us where to submit an inventory report, even a report of no such inventory purchases. In fact, our NASA program Officer indicated that the Inventory Report was not a report that applied to us given the type of award we received. It is our position that NASA should have provided adequate notice of the lapsing report submissions and accurate guidance for responding to the circumstance.

**Response to Recommendation #3. Clearly delineate the requirements surrounding the use of NASA's logo and insignia in the Grant Handbook and on award documentation.**

CORE management partially concurs with this recommendation.

It is important for CORE to note that, one, it brought the unauthorized use to the auditors' attention, and 2, it was not a publicly promoted site, and it was a webpage under development which CORE had already flagged for correction. Management believes that NASA currently adequately instructs on the use of its insignia, although no examples of what constitutes

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inappropriate use are provided to grantees. In this instance, the logo was used in an effort to show NASA's financial support of the program, on a website that was under development for CORE by a third party vendor whose use of the logo was inappropriate and never authorized. In fact, CORE only brought the site to the attention of the OIG audit team to highlight an example of inconsistent use of the logo, in a futile attempt to impress upon the staff that we were aware of the requirement to acknowledge the agency award, as well as what could constitute inconsistent logo use.

But for the fact that the Executive Director brought this inappropriate use to the OIG audit team's attention during its field visit in January 2012, the audit team would never have been privy to the site. CORE had not ever publicly promoted the site, nor did it appear in web searches for CORE activity. The OIG staff was only able to revisit the site because CORE provided them with the address during their field visit. It is not reasonable to expect that CORE could control the actions of the third party website design firm who developed the inappropriate logo use highlighted in the report as part of his overall development of a draft website for a program that CORE had not yet actually launched. CORE's Executive Director is an attorney well experienced in trademark infringement matters, and shared the inappropriate use by the unaware designer as evidence of such awareness. Notwithstanding these circumstances of the alleged inappropriate logo use, CORE will ensure authorized used of third party logos in the future.

*Response to Recommendation #4. The NSSC Executive Director in conjunction with the Associate Administrator for Education should ensure that CORE remedies the \$156,409 in unsupported payroll expenditures.*

CORE does not concur with the conclusion of this finding.

At issue here is how CORE documented its payroll. CORE payroll was supported by multiple grants that supported the same program, so it was not necessary to indication on the timesheets to which grant the work was assigned. To be clear, the \$156,409 payroll in question constitutes the sum total of all of the payroll expenditures under the grants. Management has meticulously preserved and provided the audit team with printed copies of the digital timesheets that all staff prepare and deliver to the Executive Director on a weekly basis. There is no week during the terms of each grant that any timesheet was missing, and in our view, no payroll expenditure is unsupported. Our office staff of four full-time employees facilitates a close, and closely monitored office, which enables Management to strongly protest the audit team's questioning of its entire payroll. At no point did NASA provide instruction on how it wanted our timesheets to be maintained, or that a physical hard copy of every timesheet should be signed and preserved by the Executive Director. The Executive Director maintains a robust digital filing system that preserves and archives all human resources related materials, including all timesheets. To suggest that our payroll expenses are unsupported is rather misleading given the fact that despite the many roles each employee assumes in such a small office environment, the staff and the Executive Director alike have diligently worked to maintain weekly timesheets to account for the full-time hours worked by all staff.

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Any instance of time away from a full-time schedule are well documented through our leave request forms, and communicated to our payroll provided as needed in order to ensure that proper vacation and medical leave time away from the office are accounted for. These forms are digitally preserved and archived as well, and in light of the physical size of our office, it would be imprudent of management to incur an offsite storage charge to retain years of timesheets, which can be preserved with integrity through digital means. Management believes that its procedures concerning timesheets and deviations from an eight-hour work day conform to the obligations under OMB Circular A-122, "Cost Principles for Non-Profit Organizations," August 31, 2005, which states that charges to awards for salaries and wages will be based on documented payrolls approved by a responsible official of the organization that reflect the distribution of activity of each employee whose compensation is charged to awards. Again, in an effort to avoid unnecessary printing costs, all timesheets were directed to, reviewed and approved by the Executive Director on a weekly basis during each and every week of the two grant periods at issue. As such, these timesheets, while closely scrutinized were not physically signed by Management. We are concerned that the report questions payroll in its entirety as measured by criteria only made aware to Management during the audit team field visit rather than in the Grantee Handbook or at any time during the term of the grant.

Management concurs that internal control should improve over payroll by evidencing employee preparation and supervisory review. In addition, the timesheet can be improved by identifying program versus administration costs. In FY2012, CORE has implemented improvements to the weekly timesheet form which does now adequately document arrival and departure time, incorporates a digital signature to affirm the Executive Director's approval, and also indicates which particular funding source supports the payroll cost associated with each timesheet. However, as Management has already indicated, during the audit period all employees of CORE, full-time salaried employees who worked a 40-hour workweek during the entire term of each grant period, devoted their time administering the scholarship program that was the sole focus of the grant. Funding was charged to grants based on NASA approved budgets, which also took into consideration trust resources available to CORE through our endowment distributions.

All payroll expenditures are supported by the fact that the Executive Director approves the payroll run with the bookkeeper for each payroll cycle, including a review to ensure that all requests for vacation and medical leave are accurately accrued and reported in accordance with the vacation and sick leave policies and procedures enunciated in CORE's Employee Policy and Procedures Manual. Management engages in this comprehensive timesheet and payroll review prior to the issuance of all payroll checks. While the timesheets submitted and preserved during the grant periods do not reflect any physical signatures to support Management approval, the fact that Management receives, reviews, and physically places each digital timesheet into a digital file associated with each employees human resource records is not an insignificant one. CORE's payroll expenditures are quite adequately supported by its' program accomplishments, and the respective roles and responsibilities of personnel who together administer multimillion dollar scholarship funds to nearly 2000 students on an annual basis. The audit team has scrutinized this work and found no fault with our administration of such awards.

Given that the \$156,409 payroll amount constitutes almost the entirety of the remaining grant dollars attributed to the grants beyond the \$1.8 million scholarship dollar awards, Management is compelled to highlight that the guidance provided by NASA was misleading at best. Had the

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guidance been clearly communicated, extraordinary measures would have been pursued to successfully obtain and preserve timesheets with the level of detail sought by the auditors.

**Response to Recommendation #5. Ensure that CORE remedies the \$60,511 in unallowable expenditures.**

**CORE does not concur with the finding.**

Per Management, CORE implemented improvements to the general ledger code structure in FY 2012 and implemented a financial software upgrade in 2012. Management concedes that prior to the 2012 general ledger improvement, there was not a 100% accuracy in one-to-one relationship between the general ledger accounts and the NASA award budgets; however, the budget categories were tracked monthly by the principal investigators/fund administrators in conjunction with our third party accounting staff, as evidenced by the fact that no other inconsistencies in expenditure attribution occurred beyond the June 9, 2009 entry. Previous software did not allow the input of a grant budget and therefore did not offer a ready comparison to budget vs. actual costs. Management tracked budget costs against actual costs in a monthly excel spreadsheet which our accountants prepared for our tracking purposes. These changes allow CORE to better monitor costs by NASA budget category because grant budgets reside and are maintained in the software, and reviewable against actual costs via a generated report.

Moreover, we respectfully submit that these expenditures by and large are allowed by NASA's Informal Education Programs staff responsible for oversight of any grant award within their purview. The \$60,511 in program related costs described as "unallocable or unallowable" are costs that by and large have been allowed and properly allocated to similar education grants.

The report lists eight particular items as questioned costs to the NASA Grants at Table 3, which we will address each in turn.<sup>4</sup> The first entry, a \$43,000 Computer support/maintenance entry in 2009, is an expenditure that was inadvertently assigned against the NASA award instead of a separate federal award budget that CORE was simultaneously administering to support the scholarship program. Once alerted to the error, CORE instructed its accountants to immediately remedy their error to the NASA general ledger, and informed NASA of its actions to remedy the oversight by replacing the cost with an identical amount of scholarship dollars, dollars which should have been properly attributed to the NASA grant. This remedy was not merely an act of shifting costs across grant awards (as suggested by footnote 9 of the report), but rather attributing a cost that had been previously approved when we submitted our budget narrative to the Department of Education, to the appropriate general ledger.

Management respectfully submits that while we fully expect to be held to the standard of internal financial controls expected of all grantees, we would also expect that OIG staff would acknowledge the fact that the sole instance where a cost was identified as improperly recorded

<sup>4</sup> CORE does not take issue with any of the remaining questioned costs, including late fees, sales tax, bank fees, vendor invoice calculation errors, and duplicate storage fees noted, with in sum total \$1,475 of the \$2 million dollars awarded.



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occurred primarily as a result of the fact that the second federal grant which the cost actually was attributed to started on September 1, 2009--a mere 26 days prior to the start of the 2009 NASA grant on September 27. Consequently, the cost, which was incurred on June 9, 2009, was permissibly able to be attributed to that earlier grant as it fell within the permitted 90 day window prior to September 1 grant award start date.<sup>5</sup> The cost was appropriately allocated in accordance with the budget submitted under the separate grant.

The second item, computer support/maintenance (2010) costs of \$15,000, reflect costs that were initially shared between the two grant awards. However, when NASA asked CORE to revise its budget to account for certain unallowable costs, Management subsequently attributed the full \$30,000 cost to NASA, rather than merely half, or \$15,000.

Concerning the third item, duplicate payroll identified as a \$1,036 cost, a brief synopsis of our office location history is appropriate. During the first half of 2009, CORE was located in an office that was not as well situated for parent, counselor and student access, and in September 2009, CORE relocated to a more centrally located office. CORE had moved to a more centrally located office in September 2009 to benefit from shared reception and other services, a move which necessitated a new telephone and fax numbers. Prior to this move, however, the CORE spring 2009 scholarship application cycle generated more than 2,500 applications.

The duplicate payroll in question concerns a former CORE employee, who during the first half of 2009 was a contractor to the third party customer service vendor, and held primary responsibility for direct interface with these 2,500 applicants, parents, and counselors. His services were incurred as a CORE employee from October through December 2009, to assist the Executive Director in the transition and "start-up" phase of the new office. Management has provided the audit team with evidence to support our account that this alleged duplicate payroll was in fact a separate payment to the customer service vendor for its continuing services to handle parent and student phone calls. In the name of ensuring a better applicant experience CORE had retained the vendor's services to help alleviate the burden of addressing the sheer volume of calls associated with applications during the initial months of the Executive Director's tenure, as the prior telephone and fax lines had been provided to them during their spring 2009 application submission process. CORE has provided the invoice support to document the fact that this alleged duplicate payment was in fact not a duplicate payment but rather a proper expenditure which had been authorized by NASA in our associated grant budget.

**Response to Recommendation #6. Work with CORE to verify that the expenditures charged to the NASA grants that CORE claims should have been charged to Department of Education grants were not charged to both grants.**

Management does not concur with the recommendation.

<sup>5</sup> It should be noted that had the \$43,000 cost related to the license fee for our proprietary scholarship application, data collection and reporting databases been paid a mere 18 days later (on June 27<sup>th</sup>, 2009 rather than June 9<sup>th</sup>), the cost in question would have been permissibly attributable to the NASA grant.

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Separate bank accounts exist for both NASA and DOE and all expenditures incurred were cost reimbursement based, and allocated based on budgeted amounts, which were approved by each respective funding source. Again, CORE has already provided the general ledger transactions which support the \$43,000 allocation to the Education grant as well as the transaction report to support other permitted expenditures which total \$43,000—namely, scholarship awards—attributed to the NASA grant. As such, staff is already in possession of the verification evidence of the expenditures charged to the NASA and Education grants alike as they pertain to this specific expenditure amount.

Admittedly, the \$43,000 cost at issue was, in fact, inaccurately initially attributed to the NASA grant by our third party bookkeeping service providers. This error, however, was not an intentional mistake but rather an unintentional error on their part in the making, and on our part in the delayed correction. Although the report does not acknowledge this, CORE immediately took action to rectify this and all concerns as they were brought to our attention. It has never been our practice to attribute expenditures to two different grants, and nothing in the general ledgers of either of the two federal grants that funded our scholarship programs from September 2009 through September 2011 would suggest otherwise.

Of less significance but incidentally relevant to this particular questioned cost is the fact that it occurred prior to the Executive Director's arrival in 2009. At that time, CORE did not have any full-time employees to administer the program. Since then, however, CORE has worked diligently to develop the internal capacity, competency and financial controls to more than adequately administer the Scholarship Program with the level of credibility, oversight that it has historically administered since its 2003 inception.

**Response to Recommendation #7. Ensure that CORE submits all required reports for the 2009 and 2010 grants.**

Management does not concur with the recommendation.

CORE has received repeated confirmation from NSSC staff members Emily Polk and Tadios Asgodom that we have submitted all required reports under both grant awards. In FY2012, CORE has implemented report monitoring controls, which will ensure that all required reports will be submitted timely and in accordance with contract requirements. Concerning the assertion that required reports for the 2009 and 2010 grants were not submitted, as CORE has previously explained to the OIG staff, the mechanism by which a Federal Financial Report is submitted through the National Shared Services Center website does not allow for late submission, but rather accounts for all activity which transpired since the last submission in the next certified submission a grantee completes. Consequently, although the required reports were not certified or submitted at the time provided for in the Grantee Handbook, the factual information to support every drawdown has in fact been submitted, and need not be resubmitted. In fact, CORE has received repeated guidance from NSSC staff informing us that our reporting was sufficient, and that additional reports or further submissions were neither necessary nor required, including the Final Report, which the audit report alleges remains unsubmitted.<sup>6</sup>

<sup>6</sup> On Jan 4, 2012, at 8:47 AM, NSSC accountant Tadios Asgodom (PSC/FMS) wrote in response to an email from

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When NASA NSSC employee Emily Polk, responsible for grant administration and closeout, emailed Management to request CORE's outstanding required reports under the grant in December 2010, Ms. Polk listed two reports- an FFR Report and a Final Technical Report. We immediately complied with her instruction, as again, this was the first federal award CORE was charged with managing and relied heavily on the guidance (and patience) of our assigned NSA Program Officer and grant administration staff instructions since we had no prior or contemporaneous guidance beyond these verbal and electronic communications with NASA NSSC and Informal Education staff. At no time were we alerted to an unfulfilled obligation to submit a 4th quarter report.

Given that Ms. Polk is responsible for grant closeout, Management sees no basis to question what she instructed us as our outstanding reporting requirements. If anything, her location within the grant closeout office would warrant confidence in her instructions concerning any and all outstanding reports due under the grant. For example, although Ms. Polk was not the person responsible for receipt of my technical report, she did indicate that the report was due. After questioning several NSSC employees Management was instructed that CORE's submission of the final FFR Report was sufficient, and that no 4<sup>th</sup> Quarter Report was necessary since it served as a fourth quarter report within a 12-month grant. I had no reason to suspect that those determinations were erroneous. Further, Management respectfully submits that it is the responsibility of the grantor, NASA, to provide CORE with adequate notice of any lapsing reporting and accurate guidance for ensuring proper compliance if, in fact, a twelve-month education award, is not subject to the same reporting requirements as other NASA research grants. CORE management does not agree that Federal standards require CORE to demonstrate knowledge of, or experience interpreting, federal appropriation laws.

Although CORE attempted to submit timely reports in all instances, the NSSC website does not alert reporting grantees to the fact that a report submission has not been "certified" at the time the grantee posts the data. As these were the first federal agency awards that CORE had received, we were not familiar with the intricacies of compliance with reporting requirements. This assertion is supported by the fact that, contrary to the audit team's findings, upon the close of the 2009 grant period, NSSC's records did not reflect that any of CORE's previously filed FFR Cash Transaction Reports had been accepted, despite the fact that CORE had posted the required reports, and accessed all of the grant funds. While the NSSC FFR reporting site confirms that the information has been "saved" this apparently does not constitute a filed report.<sup>7</sup>

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the Executive Director concerning any outstanding Final Report submissions: The Final Report is for Financial Status Report which is filed to the Awarding Agency. Please contact to the Awarding Agency for detailed information about this report. There is no such Final Report stated for the Quarterly Federal Cash Transaction Report which is filed in the Payment Management System. The due date of this report is 30 days after the end of each quarter." Management submitted the Final Technical Report to NASA on December 30, 2012 (See Attached).

<sup>7</sup> In an email to the Executive Director on Dec 27, 2010, at 1:24 PM, NSSC employee Jennifer L. Watkins wrote: "The NSSC received the attached copy of the SF-425 for NNX09AQ33G. We need a signature on the final SF-425. Also, the disbursements need to be updated in the Division of Payment Management System on the FFR Cash Transaction Report. Currently, the Division of Payment Management System is showing \$1,000,000.00 drawn and \$0.00 disbursed."

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Once CORE was made aware of this final requisite step, we dutifully attempted to file the previously uncertified reports. However, the site does not allow grantees to file reports after the deadline. It should be noted also that on one occasion the system did permit CORE to submit a late filed report, but in all other instances, such filings were not accepted by the NSSC FFR reporting system. Concerning the Final Report for the 2010 grant, the Executive Director emailed NSSC staff on January 3, 2012, to verify whether any outstanding obligation to submit any report existed.<sup>8</sup> Upon receiving a response that CORE did not have any outstanding obligations, Management considered the issue moot, despite the audit team's assertion.

CORE will continue its efforts to work with NASA to ensure that all necessary reports are obtained. Management will continue to improve procedures to determine if any modifications would yield a more timely and effective treatment. CORE has developed a monitoring system for a complete listing of grant awards and associated reporting deadlines, including those drawdown thresholds pertaining to obtaining single audit reports. Management is committed to continuing to bolster the full implementation of these processes to address these concerns in an integrated and consistent manner.

*Response to Recommendation #8. Prior to awarding any future grants to CORE, ensure that CORE has strengthened and formally documented its internal controls to ensure compliance with NASA and OMB requirements.*

Management does not concur with the recommendation, and in fact, Management can confirm that it has satisfied all NASA and OMB requirements.

CORE has provided an FY2011 copy of our Internal Controls Manual to OIG staff. Since that time, CORE has implemented additional controls, which include submitting requests for proposals to engage a financial service provider well versed with federal regulations to, among other duties, assist us with ongoing and future federal agency contract compliance matters.

During FY2012, CORE has also established a performance improvement plan to ensure that appropriate financial and program staffing and other resources are directed at financial management and reporting functions and continues to improve processes and procedures to promote better financial analysis, transaction entries and reconciliations are performed. Specifically, actions have been implemented to improve internal controls over the revenue process to ensure that the transactions are promptly and properly recorded for timely and reliable financial reporting. CORE is committed to improving its controls over revenue, and will continue to improve financial management and the grant monitoring processes subject to the requirements of the Single Audit Act Amendments of 1996 as we grow.

<sup>8</sup> In an email to Tadios Asgodom on January 3, 2012, the Executive Director asked: "How can I confirm submission of my final report this year? I know it was due by 12/30/2011, and I submitted a report in October which I thought was my final [FFR Report]. Can you assist?" Mr. Asgodom confirmed by email on January 4, 2012 and subsequent telephone conversations with the Executive Director that CORE had fully complied with its reporting requirements under each grant.

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Upon careful consideration of the significant corrective action progress, procedures, and internal controls that have been implemented thus far, CORE continues to believe that the efforts to address the deficiencies in controls related to CORE's administration of federal grant funds are substantially complete and provide reliable information. This position is based on the results of extensive internal control testing which revealed that controls are in place and operating effectively; therefore, there is, and has been, no adverse impact on the current financial internal control environment. We believe that there is a high degree of accuracy in the general ledgers submitted to OIG staff, that the accounting and asset management resource systems are reliable, and that monies are being properly and timely accounted for.

The concern regarding historical differences involving one transaction in 2009 prior to the engagement of a highly dedicated and qualified management and administrative staff do not imply that a current control deficiency exists. Current system design and operations allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Therefore, this one historical difference does not fit the description of a current control deficiency and should not continue as a barrier to recognition of the improved control environment. The auditors' report did not contain findings suggesting current operational control deficiencies.

In closing, corrective action plans have been established for each of these findings where warranted by CORE, which will be closely monitored and tracked through completion. CORE is committed to improving these and all other elements of financial management, and we thank you for the opportunity to provide these responses to the audit report.

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