

*National Science Foundation
Office of Inspector General
Office of Audits*

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**NSF Large Facilities Workshop
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Office of Audits Mission

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- ❖ Prevent and detect waste, fraud, and abuse
- ❖ Conduct External and Internal Audits
- ❖ Provide independent and objective oversight
- ❖ Report directly to the NSB and Congress
- ❖ Semiannual Report to Congress

Types of OIG Audits

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- ❖ NSF OIG conducts multiple types of audits and investigations.
- ❖ There are two general audit types that affect major facilities:
 - Internal Audits
 - These are audits of NSF itself, not awardees.
 - Results of these audit may change things for the major facility community as a whole.
 - External Audits
 - These are audits of individual awardees.
 - Results of these audits will be specific to the individual awardee.

Internal Audits

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- ❖ Audit NSF internal controls and processes related to awardee oversight, financial management, information technology, and other systems that affect the operation of NSF.
- ❖ Look independently at problems and recommend solutions.
- ❖ Audits may involve testing at awardees to determine if NSF internal controls and policies are working as intended.
- ❖ Audit recommendations are directed to NSF.

External Audits

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- ❖ Audit a single awardee
- ❖ Assess financial compliance with criteria (regulation and policy)
- ❖ Analyze all expenditures claimed under all NSF awards for a specific time period
- ❖ Focus on allowability, allocability, and reasonableness of expenses (OMB)
- ❖ Result in questioned costs and internal control recommendations

Audit Process

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- ❖ Engagement Letter
- ❖ Entrance Conference
- ❖ Data Requests
- ❖ Site Visits
- ❖ Issues or findings will be shared and discussed
- ❖ Exit Conference
- ❖ Formal Draft Report
 - Awardee usually has 30 days to comment
 - Provided to NSF
 - Awardee comments are summarized in the final report and attached in full, as an appendix

Recent Changes in Audit Process

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- ❖ Focus on risk areas
- ❖ Increase focus on causes of audit findings
- ❖ More OIG-conducted external audit work
- ❖ More OIG internal and external audits include NSF and awardee testing

Major Facility Oversight Requirements

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- ❖ Single audits
- ❖ NSF LFO Business Systems Reviews
- ❖ NSF Cost Analysis and Pre-award Reviews
- ❖ Government accountability office (GAO)
- ❖ Incurring cost audits
- ❖ NSF OIG Audits

How Did We Get Here?

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- ❖ Previous Audit findings and recommendations
- ❖ NAPA 2015 report - *National Science Foundation: Use of Cooperative Agreements to Support Large Scale Investment in Research*
- ❖ *American Innovation and Competitiveness Act (AICA)*, 2016

Past Major Facility External Audit Work

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- ❖ Drawdowns in excess of, and in advance of, expenditures
- ❖ Incurred costs compliance
- ❖ Negotiated indirect cost rates and overpayments
- ❖ Management Fees
- ❖ Accounting and estimating deficiencies

Past Major Facility Internal Audit Work

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- ❖ Construction Proposals
- ❖ Pre-award Accounting System Audits
- ❖ Budget Contingency
- ❖ Earned Value Management System
- ❖ Certification and Validation
- ❖ Incurred Cost Submissions & Audits
- ❖ Management Fees

Previous Audit Work

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Construction Proposals

- ❖ Multiple DCAA/OIG audits identify unsupported costs in construction proposals.
 - Best Practice: GAO Cost Estimating and Assessment Guide
 - Guide and NSF OIG Recommends Independent Cost Assessments
- ❖ NSF implemented new requirements in response to OIG Reports:
 - Awardees required to follow GAO Cost Estimating and Assessment Guide
 - Independent Cost Assessments
 - Cost Proposal Review Document
- ❖ AICA reinforces NSF actions taken

Previous Audit Work

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Pre-award Accounting System Audits

- ❖ DCAA audits found inadequate accounting systems
- ❖ NSF did not require accounting system audits of awardees
- ❖ OIG recommended NSF require an accounting system audit if the awardee had not undergone such a review
- ❖ NSF implemented new requirement:
 - NSF will obtain audits of awardees' accounting system prior to entering into any large facility agreement over \$100 million where NSF is cognizant and an audit has not been done within the past two years.
- ❖ AICA reinforces NSF's action taken

Previous Audit Work

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Budget Contingency

- ❖ Multiple OIG reports identified concerns with contingency estimates, tracking, and NSF retention.
- ❖ NAPA Report- Recommended NSF retain control over contingency.
- ❖ NSF implemented new controls in response to OIG and NAPA reports:
 - Retain a portion of contingency
 - Strengthened Large Facility Manual
- ❖ AICA reinforces NSF actions taken

Previous Audit Work

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Earned Value Management System Certification and Validation

- ❖ One awardee's EVMS data and reports were unreliable. NSF was not certifying or validating EVMS data/systems.
- ❖ Best Practice: Other Federal agencies are certifying/validating EVMS.
- ❖ NSF implemented new controls in response to OIG report — EVMS Verification, Acceptance, and Surveillance

Previous Audit Work

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Incurring Cost Submissions & Audits

- ❖ Audits identified the need for more visibility into major facility expenditures.
- ❖ We recommended annual incurred cost submissions and incurred cost audits.
- ❖ NSF implemented new controls in response to our report:
 - Annual incurred cost submissions and incurred cost audits based on risk.
- ❖ AICA places timeframes on incurred cost audits:
 - Audits based on risk but not to exceed three years and at the end of construction.

Previous Audit Work

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Management Fees

- ❖ DCAA Whistleblower
- ❖ Several Audits/Studies on the award Management Fees
- ❖ Our conclusion is management fee is a hybrid payment that is neither a profit nor a reimbursable cost; used to cover “ordinary and necessary” but otherwise unreimbursable business expenses.
- ❖ NAPA recommended elimination of management fee.
- ❖ NSF implemented new controls in response to OIG report:
 - New policies and procedures on management fee including prohibited uses.

Ongoing Internal Audits

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Subrecipient Monitoring

- ❖ Required by the *American Innovation and Competitiveness Act (AICA)*
- ❖ Objective: To determine if NSF's processes for monitoring awardees are sufficient to ensure that the prime awardees/pass-through entities monitor their subrecipients properly
- ❖ Performing work at NSF and institutions

Ongoing Internal Audits

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NSF's Controls to Prevent Misallocation of Major Facilities Funding

- ❖ Objective: To determine whether NSF, as part of its oversight of the construction and operations of major facility projects, has internal controls that ensure awardees allocate their construction and operations expenses to the correct award
- ❖ Will issue one report related to NSF controls for the major facility awardees
- ❖ Performing work at NSF and at major facilities

Audit Planning and Selection

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External Audit Prioritization

- ❖ Risk
 - Risk score
 - Awardee type – small vs. large institution
- ❖ Availability of Resources
 - Audit staff
 - Funds for IPA audits

Audit Planning and Selection

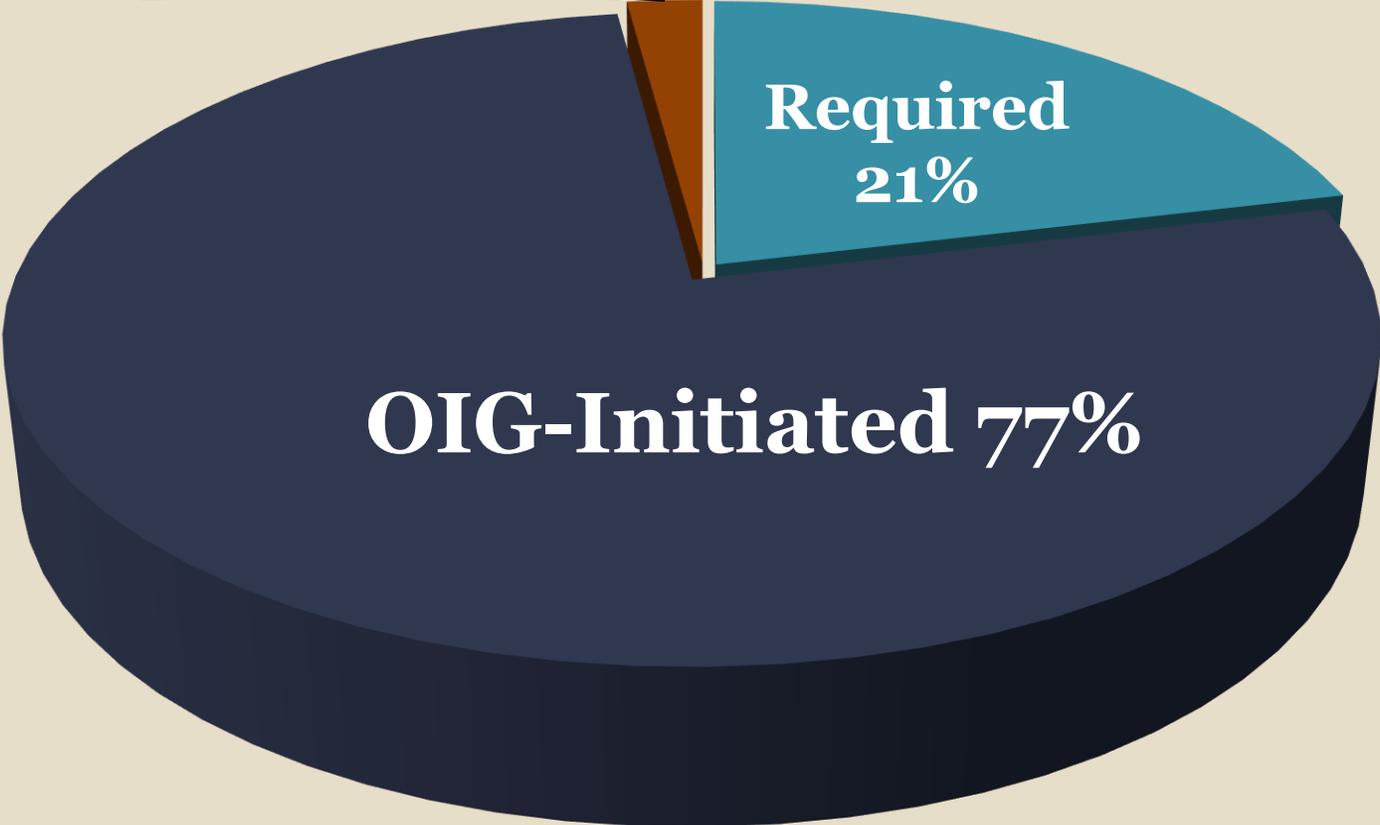
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Internal Audit Prioritization

- ❖ Required based on legislation or Congressional requests or
- ❖ NSF Director or NSF requested
- ❖ OIG Planning
 - Hotline/Whistleblower complaints
 - Management challenges
 - Audit proposals

FY 2018 Distribution of Audit Work

NSF-Requested 2%



**Required
21%**

OIG-Initiated 77%

Planned Future Audits

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- ❖ NSF OIG's 2018 Audit Plan
- ❖ NSF OIG's 2018 Management Challenges Report
- ❖ Future Internal Audits
 - NSF's Oversight of its Foreign Awardees
 - Property and Equipment
 - Antarctic Infrastructure Modernization for Science (AIMS)
 - NSF's implementation of AICA requirements
 - NSF's implementation of new internal controls

Internal Audit Resolution

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We send NSF a final report requiring NSF to provide a written Corrective Action Plan that –

- Addresses the audit report's findings and recommendations.
- Must include specific actions and milestone dates for completing the action.
- Is due to us within 60 calendar days of the final report issuance date.

Internal Audit Resolution – Cont'd

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We review the Corrective Action Plan to determine if the proposed actions and milestones dates are responsive to the intent of the recommendations.

- ❖ Resolved – If we accept the Corrective Action Plan, the recommendations are considered Resolved.
- ❖ Unresolved – If we do not consider all actions and dates in the Corrective Action Plan to be sufficient or acceptable, we will discuss the issues with NSF until agreement is reached, and the recommendations are resolved. If no agreement is reached, we may escalate the issues to NSF's Chief Operating Officer for a determination.

Internal Audit Resolution – Cont'd

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Per OMB Circular A-50, OIG and NSF are expected to resolve all recommendations within 6 months from the date that the final report is issued.

External Audit Resolution

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- ❖ Per OMB Circular A-50, resolution is required within 6 months of report issuance
- ❖ NSF sends OIG report to auditee for response to findings and recommendations
- ❖ NSF provides OIG with auditee response
- ❖ NSF provides OIG with draft audit resolution and NSF and OIG discuss
- ❖ NSF provides OIG with Audit Resolution Memorandum (ARM)
 - Includes NSF's Management Decision on resolution of recommendations

External Audit Resolution Cont'd

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- ❖ If OIG disagrees with NSF's Management Decision, we can escalate to NSF's Audit Follow-up Official
- ❖ Ultimate decision on audit resolution rests with NSF
- ❖ If OIG disagrees with that decision, it can perform a new audit and/or inform Congress

How to Help Us Eliminate Fraud and Improve Management

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- ❖ Provide us with information about suspicions of fraud, waste, abuse, mismanagement, research misconduct (fabrication, falsification, plagiarism) or unnecessary government expenses
- ❖ Whistleblowers can save taxpayer dollars
- ❖ One of our core values is protecting NSF employees, contractors, and grantees who step forward to identify potential wrongdoing

Whistleblower Protection

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- ❖ Current and Former NSF Employees, Applicants for NSF Employment, and **Employees of a Federal Contractor, Subcontractor, Grantee, or Subgrantee** are Protected from Retaliation for making Protected Disclosures
 - Violations of any law, rule, or regulation
 - Gross waste of funds, gross mismanagement, and abuse of authority
 - Substantial and specific danger to public health and safety
- ❖ Protected disclosures can be made to management, OIG, Congress, or the Media

Information on whistleblower protection is available on OIG's webpage: www.nsf.gov/oig/whistleblower.jsp

How to Contact Us

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Internet Form:

[Internet Form](https://nsf.gov/report-fraud/form.jsp) (nsf.gov/report-fraud/form.jsp)

E-mail:

oig@nsf.gov

Phone:

703-292-7100 (business hours), or
703-328-3932 (non-business hours)

Anonymous Hotline:

1-800-428-2189

Fax:

703-292-9159

Mail:

2415 Eisenhower Avenue
Alexandria, VA 22314
ATTN: OIG HOTLINE

FAR Contracting
Reporting Form:

[FAR Hotline Form](#)

NOTE: Recent news articles have raised concern about the security of the online complaint process used to report fraud, waste, and abuse to more than two dozen OIG hotlines, including NSF OIG. NSF OIG has swiftly addressed the issue to ensure the security and confidentiality of this process. Please be advised that we are unaware of any actual security compromise to information that has been reported through the system.

Questions & Answers

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