

2016 NSF Large Facilities Workshop

Making Sense of Audits and Reviews

Business Roundtable I

May 24, 2016

Anna-Lee Misiano, (amisiano@nsf.gov) *Division of Acquisition and Cooperative Support*

Florence Rabanal (frabanal@nsf.gov), *Large Facilities Office*

Eddie Whitehurst, (ewwhitehu@nsf.gov) *Division of Acquisition and Cooperative Support*

Charlie Zeigler, (czeigler@nsf.gov) *Division of Institute and Award Support*

Presentation Goal, Objectives and Agenda

GOAL: TO IMPROVE OUTCOME of REVIEWS/AUDITS

OBJECTIVES:

- Outline various types of Audits/Reviews
- Explain the overall purpose of each [Audit/Review]
- Identify the Business Owners associated with [Audit/Review]
- Highlight key interactions amongst Business Owners
- Engage stakeholders to gather input and ideas

PRESENTATION SCOPE and Content

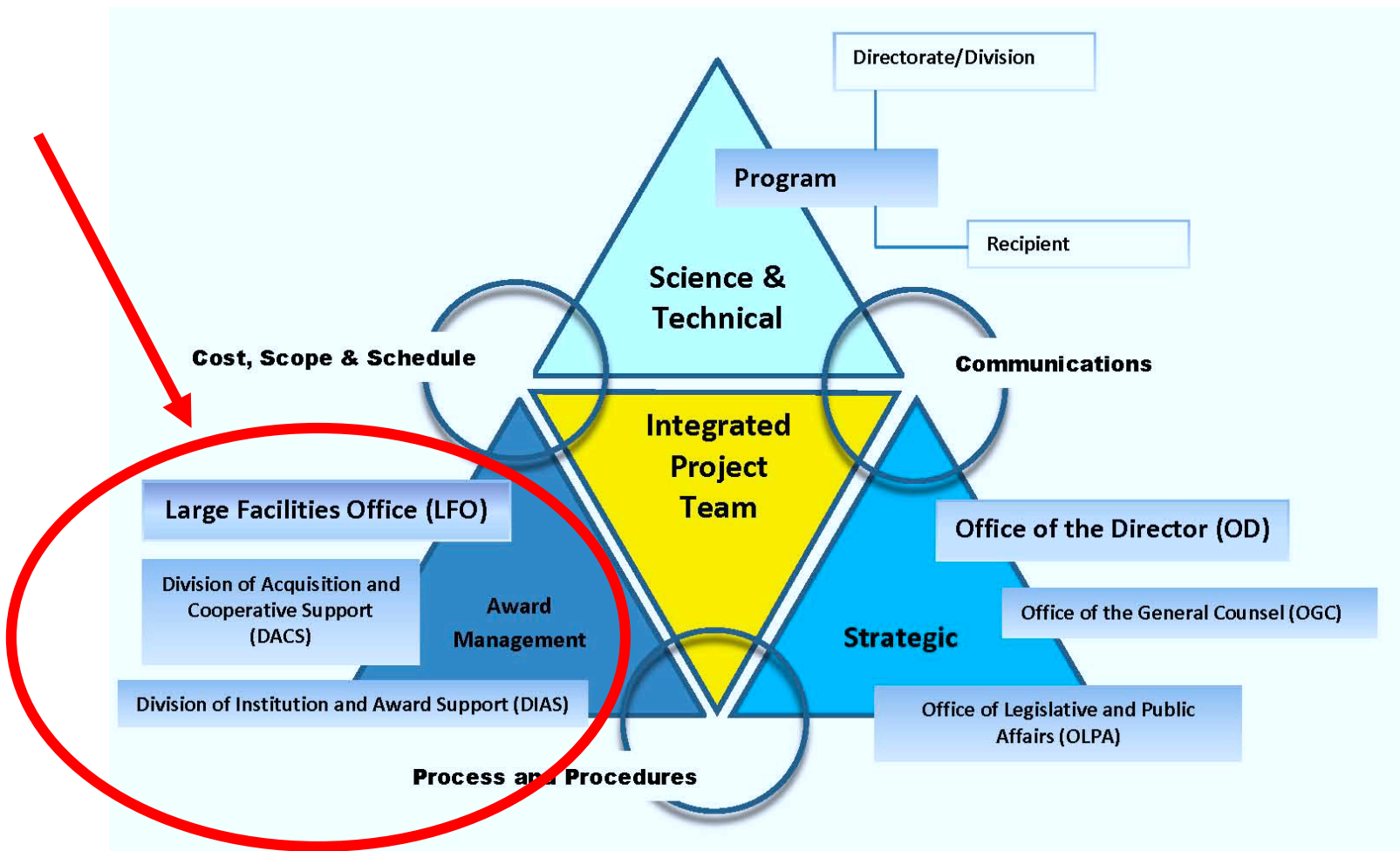
- Defines Audits/Reviews broadly as “a careful/methodical check or review of something”;
- Recognizes the [necessity of \[audits/reviews\] and fiduciary responsibilities](#) inherent to the stewardship of Federal funds.
- Covers [administrative business of audits/reviews](#) of NSF Large Facility Portfolio, and NOT audits/reviews associated with project management (e.g., EVM, contingency) or scientific/technical components
- Presents an [overview of “what, why and who”](#), NOT the details of “how”
- Complements [related](#) (more detailed) held in [Business Roundtable II and III discussions](#).

Engaging Stakeholders

- How could NSF's communication and documentation strategies be adjusted to improve [external stakeholder] understanding of the variety of audits/reviews?
 - Importance
 - NSF Resources for Questions and Guidance
 - NSF Coordination
- What are major challenges to employing suggested strategies for audit/review interactions?
- What steps could NSF take to further facilitate Recipient-implementation of the suggested improvement strategies for audits/review?

KEY [NSF] ASSURANCE MEMBERS/ AWARD MANAGEMENT:

Division of Acquisition and Contract Support, the Division of Institution and Award Support, and the Large Facilities Office



AUDITS/REVIEWS: OVERVIEW BY TYPE

AUDIT/REVIEW TYPE	SIMPLIFIED DESCRIPTION	BUSINESS OWNER
STATUTORY		
Single Audit (A-133)	<i>ANNUALLY</i> , to provide assurance to the US federal government as to the management and use of such funds by recipients such as states, cities, universities, and non-profit organizations	Independent certified public accountant (CPA)
OIG-led/contracted	<i>RISK-BASED</i> , to promote efficiency and effectiveness, through assessment of internal controls, financial management, information technology, and other systems that affect the operation of Agency programs. To investigate fraud, misuse of funds, and other violations of laws and regulations.	NSF Office of Inspector (OIG)
Improper Payments	<i>ANNUALLY</i> , to identify for reducing improper payments	NSF Division of Financial Management (DFM)
POST-AWARD MONITORING		
ADVANCED: focus on developing a reasonable assurance that institutions managing the higher-risk awards possess adequate policies, processes, and systems to properly manage federal awards		
Business Systems Review	<i>RISK-BASED</i> , to provide oversight/assurance of the suite of business systems (people, processes, and technologies) that supports the administrative management of a Facility (http://www.nsf.gov/pubs/2013/nsf13100/nsf13100.pdf)	NSF Large Facilities Office (LFO)

AUDITS/REVIEWS: OVERVIEW BY TYPE

AUDIT/REVIEW TYPE	SIMPLIFIED DESCRIPTION	BUSINESS OWNER
POST AWARD MONITORING, Cont.		
<p>ADVANCED: focus on developing a reasonable assurance that institutions managing the higher-risk awards possess adequate policies, processes, and systems to properly manage federal awards</p>		
<p>Advanced Monitoring Desk Review & Site Visit</p>	<p><i>RISK-BASED</i>, to assess the extent that an awardee maintains a control environment within which awards are likely to be administered in compliance with Federal financial and administrative regulations and NSF agreement provisions (http://www.nsf.gov/bfa/dias/caar/docs/factsheet_desk.pdf)</p>	<p>NSF Division of Institution and Award Support (DIAS)</p>
<p>BASELINE: focus on post-award actions and financial transactions for most awards and verify that awardee institutions implement awards in compliance with federal regulations and the terms and conditions of NSF award agreements</p>		
<p>Award Expenditure Transaction Testing</p>	<p><i>RISK-BASED</i>, reveal potential financial anomalies, inaccurate expenditure reporting, or evidence of a possible misunderstanding of, or non-compliance with, federal cash management requirements and/or NSF guidelines.</p>	<p>NSF Division of Financial Management (DFM)</p>
<p>Grants and Agreements Monitoring</p>	<p>ONGOING, reveal a misunderstanding of, or non-compliance with, federal regulations and the terms and conditions of NSF awards</p>	<p>NSF Division of Grants and Agreements (DGA)</p>
<p>Active Payment/ACM\$ Screening</p>	<p>ONGOING, focused on daily, monthly, quarterly, and annual transactional activity.</p>	<p>NSF Division of Financial Management (DFM)</p>
<p>Program Income</p>	<p>ONGOING, to verify that awardee institutions are properly reporting program income in accordance with NSF's policies.</p>	<p>NSF Division of Financial Management (DFM)</p>

AUDITS/REVIEWS: OVERVIEW BY TYPE

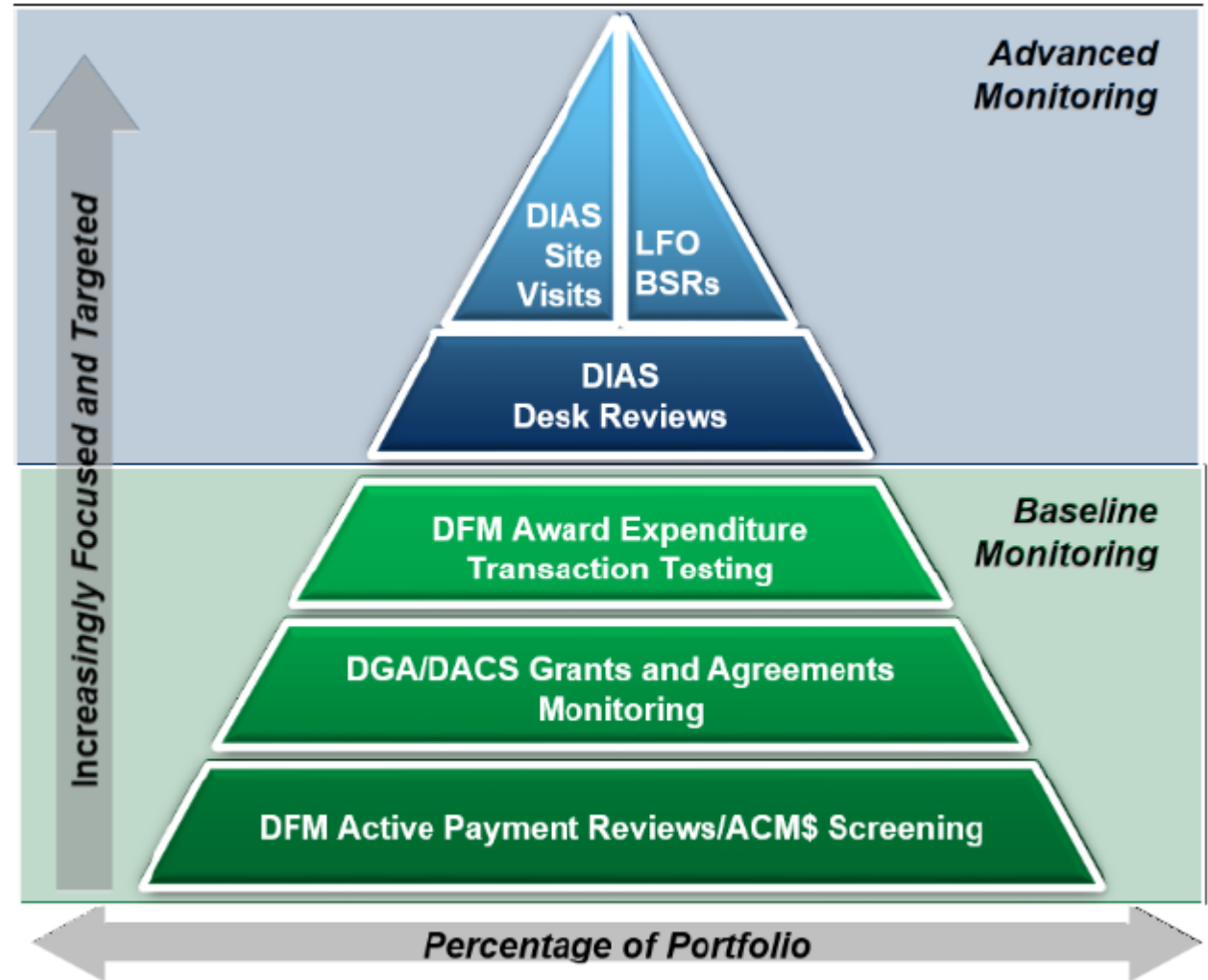
AUDIT/REVIEW TYPE	SIMPLIFIED DESCRIPTION	BUSINESS OWNER
MREFC LIFE-CYCLE BASED		
PRECONSTRUCTION STAGES: to assess whether [costs] they are reasonable and realistic as the design matures in preparation for the eventual construction award and subsequent operations awards		
High-Level Cost Analysis #1	Post CDR...to only frame the initial parametric cost estimate, ensure coordination with the other NSF assurance divisions and offices, and identify areas of further refinements with the cost book and PEP that are necessary during the Preliminary Design Phase... “	Division of Acquisition and Cooperative Support (DACs)
Cost Analysis #2	POST PDR, “...to give confidence in the Not-To-Exceed estimated Total Project Cost (TPC)... also identify areas of further refinement with the cost book and PEP that are necessary during the Final Design Phase.”	Division of Acquisition and Cooperative Support (DACs)
Cost Analysis #3	~90-180 DAYS PRIOR to PLANNED AWARD DATE, “...to give confidence in making the actual award for construction based on the best-available cost information, including updated cost proposal information received during the Final Design Phase.”	Division of Acquisition and Cooperative Support (DACs)
Independent Cost Estimate Review/s	AD HOC, To assess, through independent mechanisms, the credibility of the [Large Facility’s] cost estimate.	Large Facility Office (LFO)
Accounting System	PRIOR TO MAKING CONST AWARD, “...to assess and determine if awardee and subawardee accounting systems are adequate for use with cost reimbursement type agreements .”	Division of Acquisition and Cooperative Support (DACs)

AUDITS/REVIEWS: OVERVIEW BY TYPE

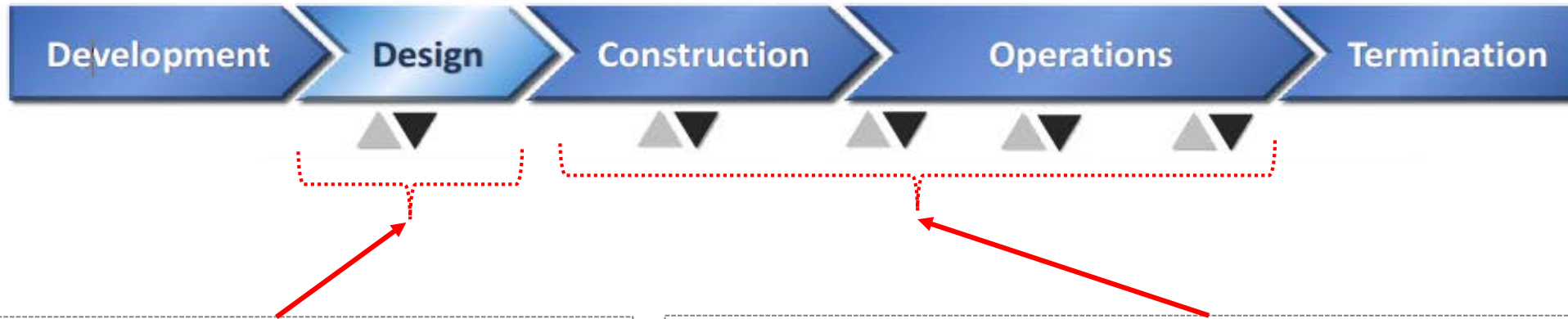
AUDIT/REVIEW TYPE	SIMPLIFIED DESCRIPTION	BUSINESS OWNER
MREFC LIFE-CYCLE BASED, Cont.		
CONSTRUCTION AND OPERATION STAGES: to assess whether [costs] they are reasonable and realistic as the design matures in preparation for the construction award and subsequent operations awards		
Business Systems Review	<i>RISK-BASED</i> , to provide oversight/assurance of the suite of business systems (people, processes, and technologies) that supports the administrative management of a Facility (http://www.nsf.gov/pubs/2013/nsf13100/nsf13100.pdf)	NSF Large Facilities Office (LFO)
Accounting System, Other Business Systems	PRIOR TO MAKING CONST/OPS AWARD, "...to assess and determine if awardee and subawardee accounting systems are adequate for use with cost reimbursement type agreements ."	Division of Acquisition and Cooperative Support (DACs)
Cost Incurred Audit	AT LEAST ANNUALLY, AWARD [$> \$100M$], "to assure the existence of adequate controls which will prevent or avoid waste, fraud, and abuse and inefficient practices."	Division of Acquisition and Cooperative Support (DACs)
Budget Review	ALL AWARD ACTIONS $> \$10M$, over all award years funded at that time. Ensure budgeted costs are reasonable and realistic to accomplish project scope.	Division of Institution and Award Support (DIAS)
Indirect Cost Rate Negotiation	GENERALLY ANNUALLY, with provisional to final indirect cost rates. Where NSF acts as cognizant Federal agency, review of indirect cost pool expenses may include transaction testing.	Division of Institution and Award Support (DIAS)

NSF Post Award Monitoring

- Baseline monitoring, executed in the course of post-award administration, seeks to verify that awardee institutions implement awards in compliance with federal regulations and the terms and conditions of NSF award agreements.
- NSF's advanced monitoring activities focus on developing a reasonable assurance that institutions managing the higher-risk awards possess adequate policies, processes, and systems to properly manage federal awards.



MREFC Life-Cycle Based View: [NSF-coordinated] Audits/Reviews



- **COST ANALYSES**, immediately following Conceptual Design Review, Preliminary Design Review and Final Design Reviews.
- **REVIEW OF INDEPENDENT COST ESTIMATE**, prior to completion of second cost analysis. Other internal NSF cost analyses may be used.
- **BUSINESS SYSTEMS REVIEW**, ideally conducted during CDR phase and prior to PDR, if employed

- **BUSINESS SYSTEMS REVIEW**, ideally prior to transition to Operations, in addition to periodically Operations Phase, if employed
- **ACCOUNTING SYSTEM and OTHER BUSINESS SYSTEMS**, prior to entering any large facility Construction or Operations [>\$100M] Cooperative Agreements
- **COST INCURRED AUDIT**, at least annually for award [>\$100M], “to assure the existence of adequate controls which will prevent or avoid waste, fraud, and abuse and inefficient practices.”
- **BUDGET REVIEW**, ALL AWARD ACTIONS > \$10M, over all award years funded at that time. Ensure budgeted costs are reasonable and realistic to accomplish project scope.
- **INDIRECT COST RATE NEGOTIATION**, GENERALLY ANNUALLY, with provisional to final indirect cost rates. Where NSF acts as cognizant Federal agency, review of indirect cost pool expenses may include transaction testing.

Strategies for Improving Audit and Review Interactions and Outcomes

- **ROLES AND RESPONSIBILITIES**
 - Identify single point of contact/dedicated person, in appropriate organizational role
 - Coordinate, coordinate, coordinate Organization-wide
 - Maintain routine and open communication with your auditors/reviewers
- **PLANNING**
 - Plan ahead, don't wing it
 - Create deliberate internal and external communication strategies, include routine interactions
 - Provide staff training
- **DOCUMENTATION**
 - Organize well packaged and externally-oriented materials
 - Avoid the extremes, "too much, too little"
 - Provide easy and timely access
 - Assure underlying systems are robust

Engaging Stakeholders

- How could NSF's communication and documentation strategies be adjusted to improve [external stakeholder] understanding of the variety of audits/reviews?
 - Importance
 - NSF Resources for Questions and Guidance
 - NSF Coordination
- What are major challenges to employing suggested strategies for audit/review interactions?
- What steps could NSF take to further facilitate Recipient-implementation of the suggested improvement strategies for audits/review?