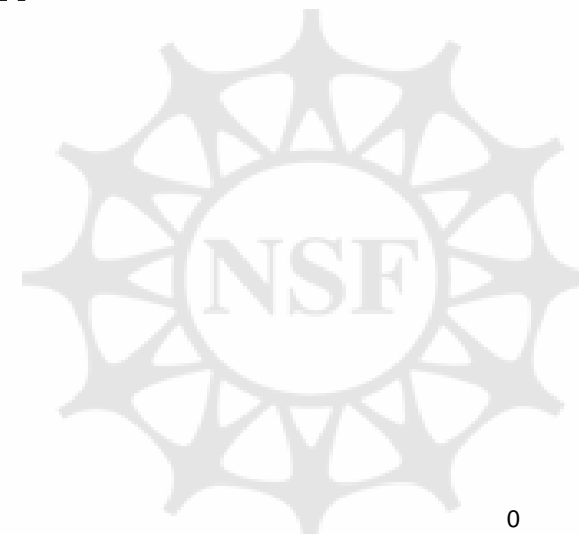# NSF Advanced Monitoring, Audit Resolution & Other Post Award Activities

Northeast Conference on College Cost Accounting (August 28, 2018)

Carrie Davison, Lead Analyst for Audit Resolution
Víctor L. Vélez, Grant & Contract Cost Analyst
Resolution & Advanced Monitoring
Division of Institution and Award Support, BFA

Take Aways

- General understanding of timeline, roles, and responsibilities for post award activities
- NSF expectations for entities during OIG audits, audit resolution, and post award activities
- Commonly identified areas of concern/non-compliance during post award activities
- Development of recommendations and management decisions

NSF conducts a wide range of monitoring activities to provide comprehensive coverage of the NSF award portfolio
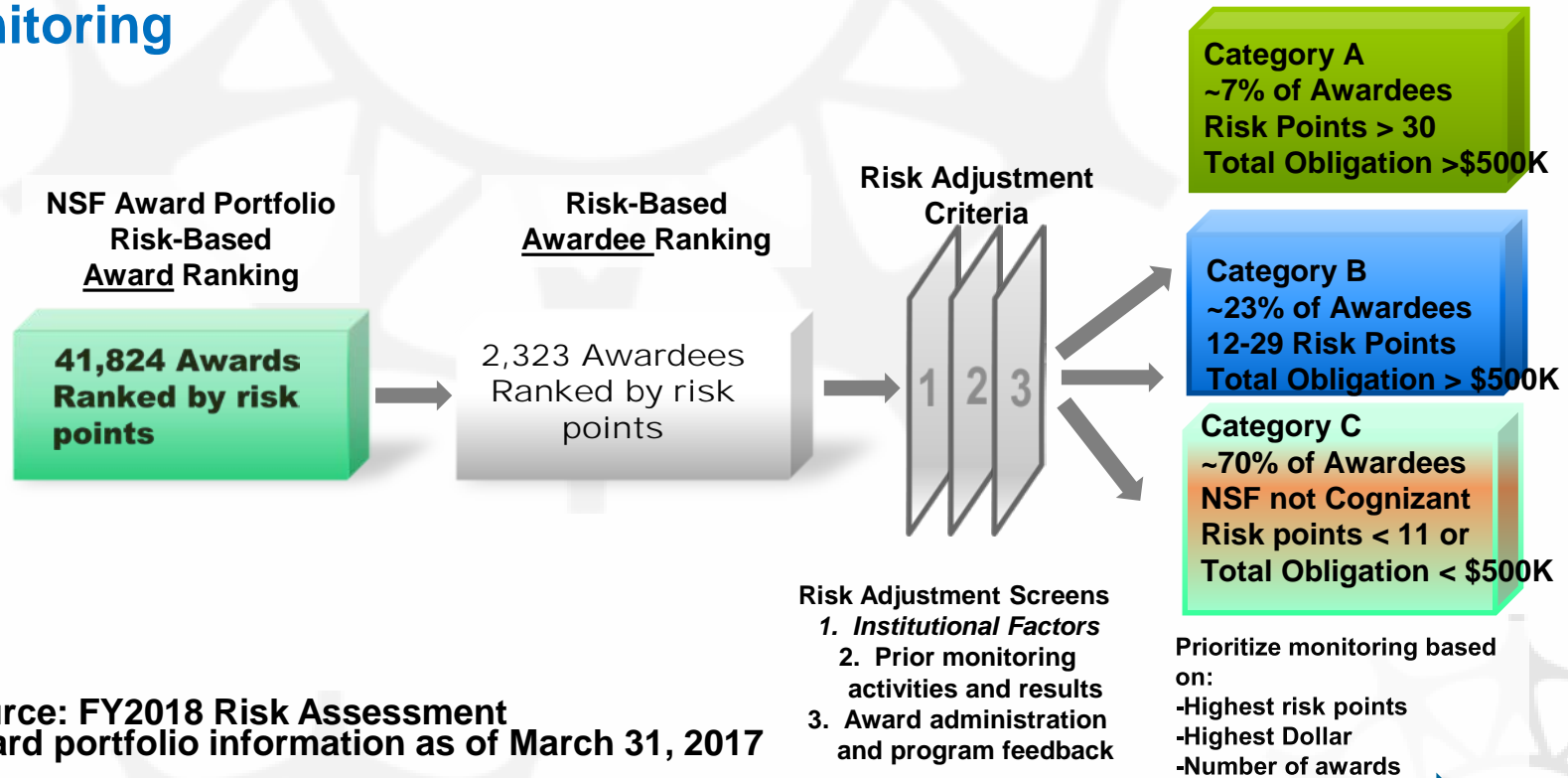
National Science Foundation
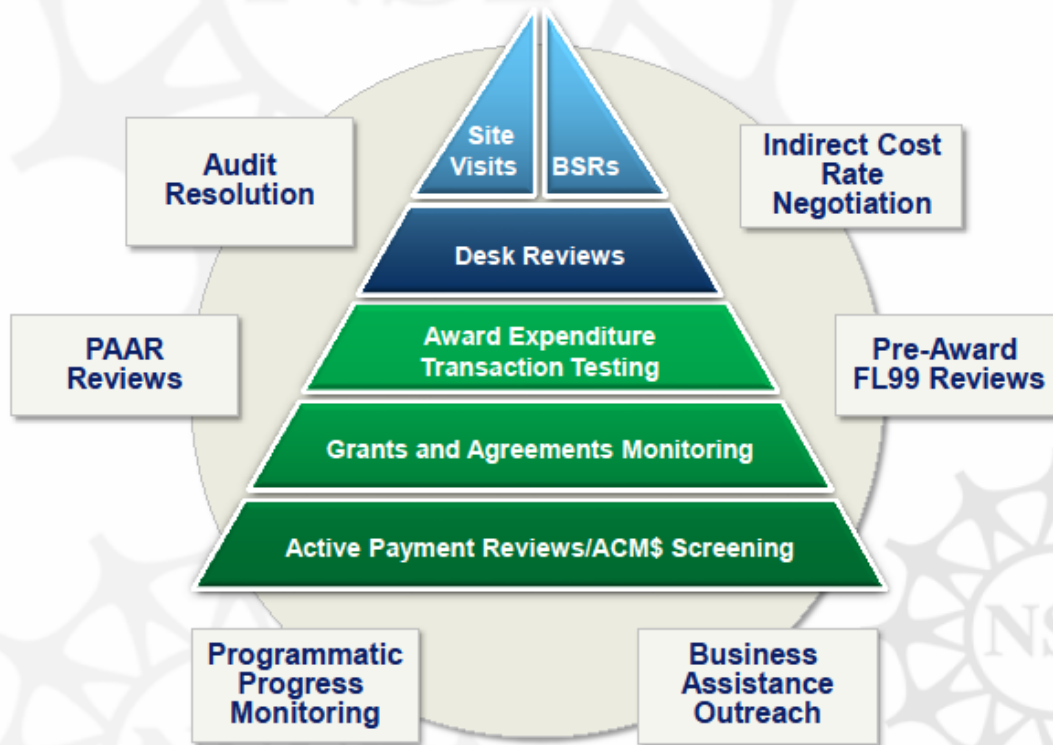
NSF uses a risk-based portfolio monitoring strategy that integrates its monitoring activities and focuses monitoring activities on awardees administering higher risk awards

NSF's portfolio monitoring strategy has three key components -

▸ **Annual risk assessment** enables NSF to focus limited advanced monitoring resources on awardees more in need of monitoring and business assistance

▸ **Comprehensive monitoring activities** augment routine or automated baseline activities with focused advanced monitoring activities to provide broad coverage of the award portfolio. These activities are designed to mitigate the risk of non-compliance with federal grant management regulations (administrative regulations, cost principles, and audit requirements) and NSF award administration requirements

▸ **Gathering feedback and incorporating monitoring results** to enable NSF to better target business assistance activities and to make continuous improvements to the risk assessment model and monitoring procedures

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NSF conducts an **annual risk assessment** of the awards and awardee institutions within its award portfolio to prioritize awardees for advanced monitoring

NSF Award Portfolio Risk-Based Award Ranking

41,824 Awards Ranked by risk points

Risk-Based Awardee Ranking

2,323 Awardees Ranked by risk points

Risk Adjustment Criteria

1 2 3

Risk Adjustment Screens
1. *Institutional Factors*
2. Prior monitoring activities and results
3. Award administration and program feedback

Category A
~7% of Awardees
Risk Points > 30
Total Obligation >$500K

Category B
~23% of Awardees
12-29 Risk Points
Total Obligation > $500K

Category C
~70% of Awardees
NSF not Cognizant
Risk points < 11 or
Total Obligation < $500K

Prioritize monitoring based on:
-Highest risk points
-Highest Dollar
-Number of awards

Source: FY2018 Risk Assessment Award portfolio information as of March 31, 2017

4

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Advanced Monitoring Activities

- Desk Reviews: focus is on awardee's ability to manage federal funds

- Site Visits: Assess application of awardee system of controls

- Business Systems Reviews: review business practices of awardees managing **large facilities** and NSF **Federally Funded Research and Development Centers (FFRDCs)** to ensure compliance with federal and NSF requirements

- Targeted Review Assessments: Quick, targeted review of an awardee internal controls over a specific area of compliance*

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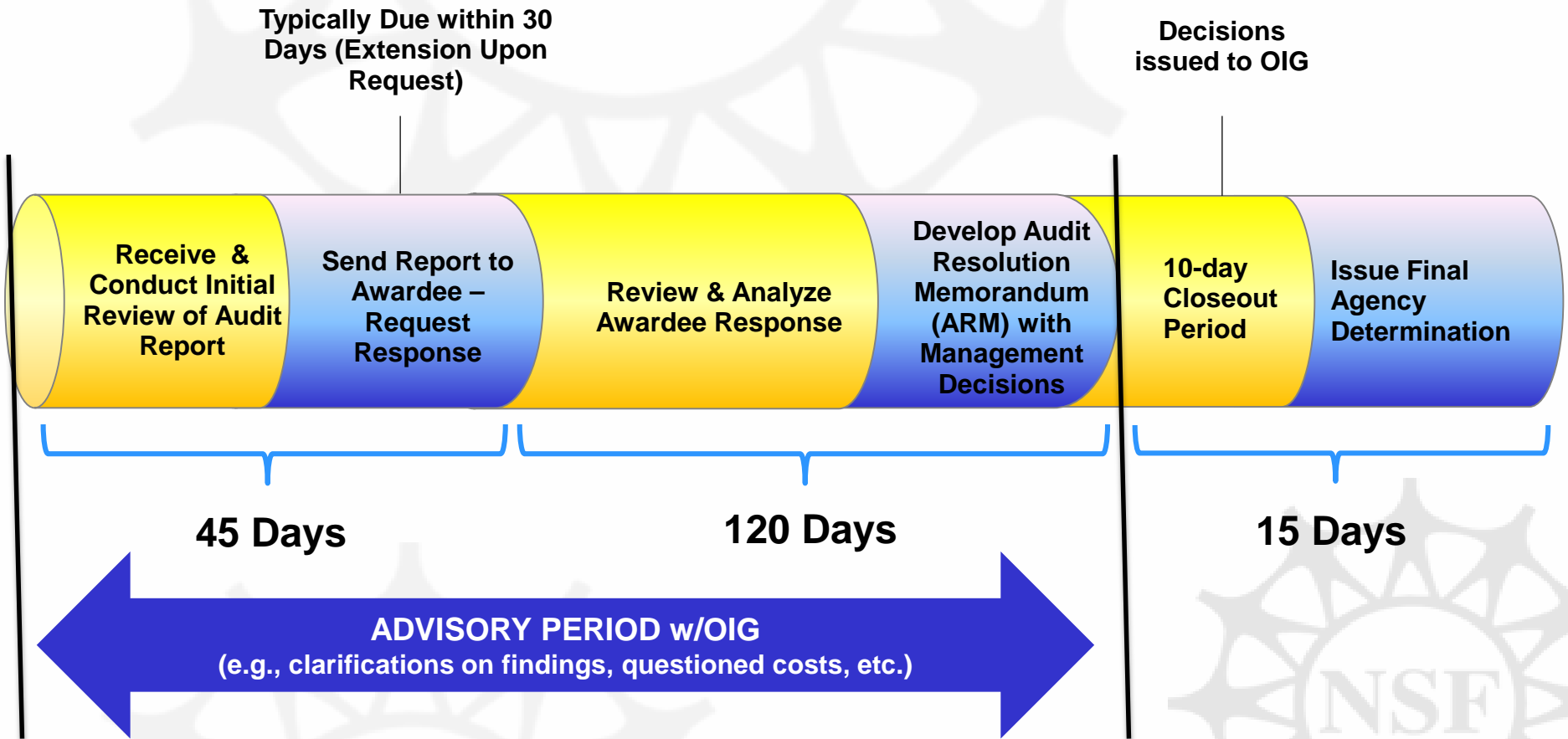
Advanced Monitoring: What We Look For

Documented internal controls for the following areas:

- General Management & Organizational Structure
- Accounting & Financial Systems
- Personnel Compensation
- Subawards and Subrecipient Monitoring
- Participant Support Costs
- Equipment
- Special award T&Cs

NSF Audit Resolution Process & Timeline

Per OMB Circular A-50, "Audit Follow Up," all audit findings should be fully resolved within 180 days

Typically Due within 30 Days (Extension Upon Request)

Decisions issued to OIG

| Receive & Conduct Initial Review of Audit Report | Send Report to Awardee – Request Response | Review & Analyze Awardee Response | Develop Audit Resolution Memorandum (ARM) with Management Decisions | 10-day Closeout Period | Issue Final Agency Determination |

45 Days   **120 Days**   **15 Days**

ADVISORY PERIOD w/OIG
(e.g., clarifications on findings, questioned costs, etc.)

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Audit and Audit Resolution Roles

Office of Inspector General and its contractors (Auditor)	Conducts audits and issues reports in compliance with government auditing standards
Awardee (Auditee)	Provides requested information; addresses recommendations after resolution with NSF Management
NSF Management (Office of Budget, Finance and Award Management – BFA)	Resolves audit findings and recommendations with Auditee, coordinates management decisions with the OIG
Audit Follow-up Official (AFO) (NSF Deputy Director or designee)	Makes final determination in the event of escalated disagreement(s)

Frequent Findings Under NSF OIG Audits

- **Equipment purchases near award expiration***
- Allocation of costs charged to 2 or more awards
- Lack of adequate supporting documentation
- Unreasonable/unnecessary costs
- Unallocable travel
- Compensation
- Non-compliance (Award T&Cs, Policies, etc.)
- Subawards
- Participant Costs
- Inability to identify the source and application of funds

NSF Management Decisions: "To Sustain or Not Sustain…*That* is the Question"

- Awardee concurrence
- Substantial research of factors underlying transactions
- Application of terms, conditions, cost principles, NSF requirements
- Programmatic/technical input
- Reasonableness
- Change in scope

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Challenges & Follow-up: Where Do We Go from Here?

Review Challenges (pre- & post-award):
- Voluminous data (e.g., cost analyses)
- Competing priorities/resources
- Slow response to requests
- Significant concerns identified
- Internal coordination activities

What Follow-up Looks Like:
- When: Next DIAS monitoring activity (sooner for AR)
- Development/enhancement of internal controls
- Repayment/removal of disallowed costs
- Administrative action by NSF

Helpful Websites:

OIG External Reports

NSF Management Decisions

Keys to Success for Awardees

- Maintain strong internal controls in writing…and adhere to them!

- Maintain thorough supporting documentation for all charges made to federal awards

- Review expenditures (e.g., reasonableness, necessity, etc.)

- Understand award requirements and expectations (terms and conditions, NSF policy, OMB Guidance); get clarification from NSF staff as needed

- Obtain required prior NSF approvals, as needed (see RTC Appendix A, Prior Approval Matrix)

- *Ask Early, Ask Often!*
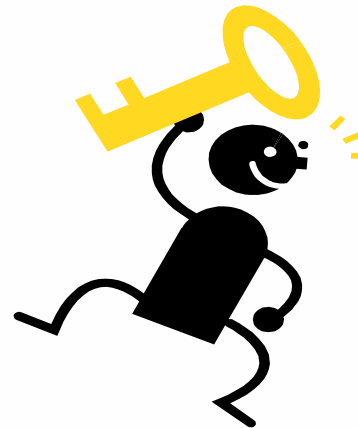
Questions?

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