

Audit Update

National Science Foundation Office of Inspector General

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What are we covering today?

- Federal Audit Environment
- What We Do and Our Role
- Audit Work Plan
- Hybrid Audit Approach
- Audit Communication Process
- Recent Audit Work
- Case Studies
- Whistleblower Information



Federal Audit Environment



Single Audits

- Required
- Standardized



Internal Audits

Customized at organization's discretion



Agency Reviews

- Required
- Varying scopes and objectives



Inspector General Audits

- Required
- Varying scopes and objectives
- Internal and External to NSF
- Independent

WHAT WE DO



Office of Audits

We conduct audits of:

- NSF operations and programs
- NSF award recipients (grantees and contractors)
- Financial / IT Reviews



Office of Investigations

We investigate allegations of:

- Fraud, waste, and abuse
- Research misconduct
- Violations of law, regulation, directive, or policy

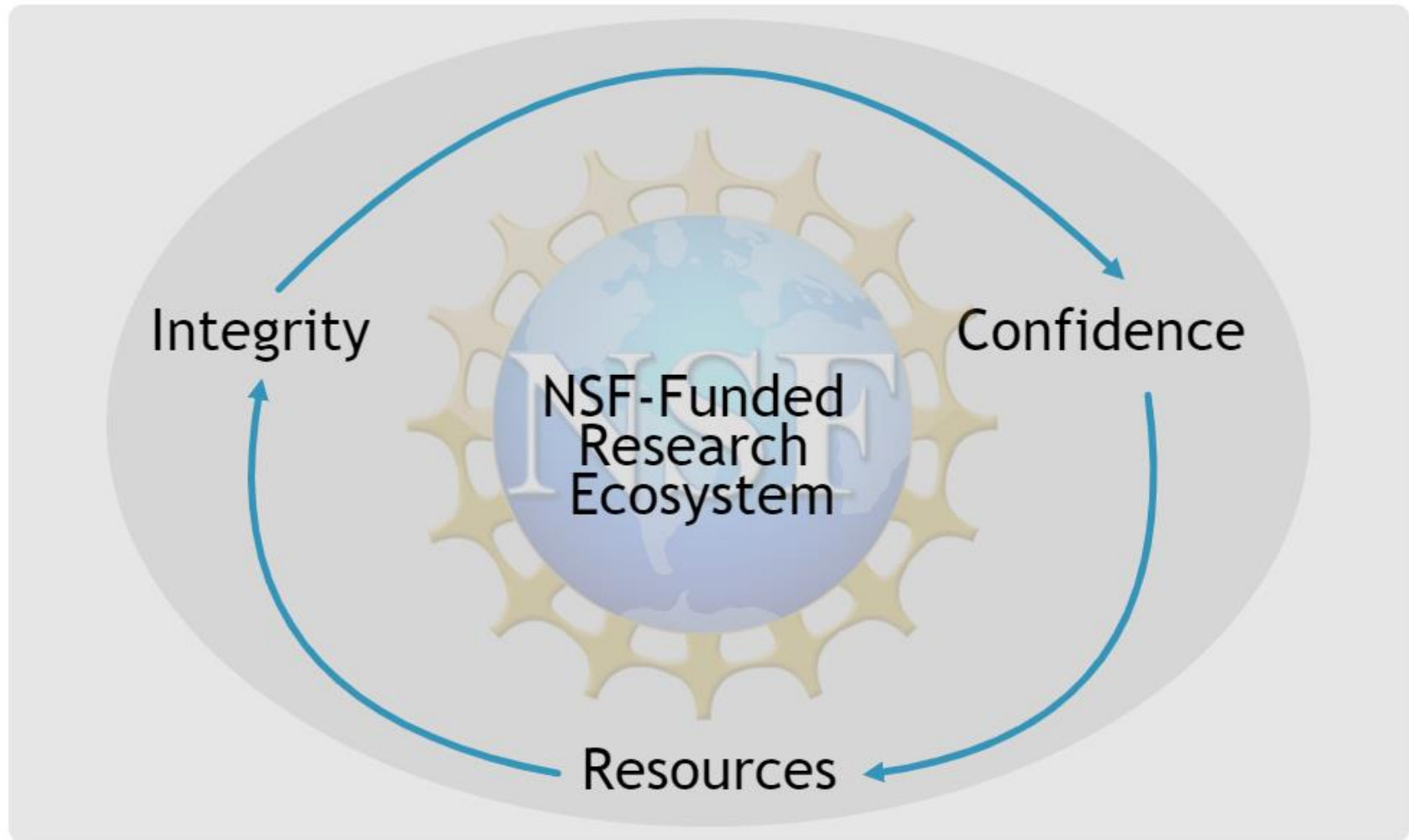


Outreach

We invest in outreach:

- Presentations
- Briefings
- www.nsf.gov/oig/reports
- www.nsf.gov/oig/outreach

OUR ROLE



Audit Work Plan



Award Recipient Audit Plan

Award Recipient
Promising Practices
and Common Risks



Increase Audits of
Small and Mid-
Sized Institutions



Traditional Award
Recipient Audits



Hybrid Audit Approach

- Main objective is to determine if NSF's oversight is sufficient
- Conduct work at institutions
 - Understand how NSF guidance affects the scientific community
 - Recipients' perspectives
- May/may not result in an audit report to the institution
- Will communicate often



AUDITS OF NSF

COMPLETED

Audit of NSF's Controls to Prevent Misallocation of Major Facility Expenses

Two Major Facilities

Audit of NSF's Monitoring of Government-Owned Equipment Purchased on NSF Awards

One Major Facility

Audit of NSF's Established Program to Stimulate Competitive Research Awards

Two Institutions

ONGOING

Graduate Research Fellowship Program

Divestments

NSF Purchase Card Program



NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

June 21, 2019
OIG 19-2-006

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

August 26, 2020
OIG 20-2-007

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

August 13, 2021
OIG 21-2-004



Audit Communication Process

Step 1



Engagement Letter

Define audit objective and scope

Step 2



Entrance Conference

- Discuss audit with Auditee management
- Identify key points of contact
- Discuss audit process

Step 3



Fieldwork Discussion Draft

- Discuss potential audit issues and recommendations with NSF management
- May also use NPFRs during audit

Step 4



Exit Conference

Discuss audit results and final recommendations with management

Step 5



Official Draft Report

- Provide Auditee official Draft Report of audit
- Auditee typically has 30 days to for official response
- OIG includes response in final report in its entirety

Step 6



Final Report

- Award Recipient, NSF, & Congressional Committees
- <https://www.nsf.gov/oig/reports/reviews.jsp>
- www.oversight.gov
- Twitter feed @NSFOIG

Recent and Ongoing Work Impacting the Recipient Community

- EPSCoR
- Graduate Research Fellowship Program
- Standard Grant Audits
- COVID-19 Audits



EPSCoR

February 2019

OIG initiated Audit of NSF EPSCoR Awards.

For 10 (of 21) EPSCoR jurisdictions:

- Obtained award costs
- Interviewed awardee personnel

Selected three awardees for complete audit.

- ❑ 5 External Reports
- ❑ 1 Internal Report
- ❑ Over \$2 million in Questioned Costs



EPSCoR

- Opportunity to strengthen EPSCoR awardees' award administration:
 - Inadequate subrecipient monitoring
 - Misapplied indirect costs after accounting system changes.
 - Unidentified participant support costs resulting in misapplied indirect costs
 - Unapproved entertainment expenses

CASE STUDY

Sub-recipient Risk Assessment and Monitoring



2 EPSCoR
Auditees



"Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring."

Depending upon the pass-through entity's assessment of risk posed by the subrecipient ... additional monitoring tools may be needed.

\$685K of Questioned Costs (entire subawards)

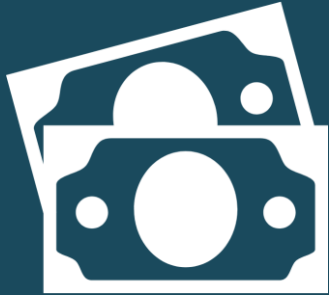
Conclusion

Resolution of this finding is ongoing



CASE STUDY

Accounting System Updates



4 EPSCoR Awardees

Institutions Made Errors in their Accounting Systems



MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000

\$634K of Questioned Costs

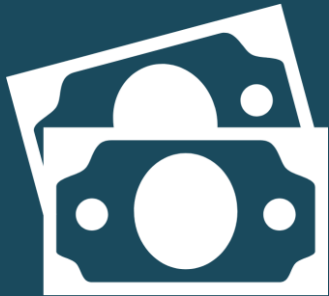
Conclusion

All Questioned Costs Sustained



CASE STUDY

Allowability of Costs



2 EPSCoR Awardees

Entertainment and Indirect Cost related to Participant Support



Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except if the cost has a programmatic purpose and is pre-approved by the awarding agency.

Modified Total Direct Costs, to which indirect costs are allocated, must exclude participant support costs

\$44k of Questioned Costs

Conclusion

Questioned costs are still in Resolution



EPSCoR

- NSF has agreed to:
 - Provide outreach to awardees on assessing and monitoring sub-recipient risk
 - Clarify allowability of entertainment and participant support costs that have programmatic purposes
 - Increase depth of site visit reviews of awardees with significant accounting system changes



Graduate Research Fellowship Program

February 2020

OIG initiated audit of GRFP

Approximately 220 GRFP institutions.

Selected three awardees for review.

Audit Objective: To determine whether NSF properly distributes, monitors, and accounts for GRFP funding.

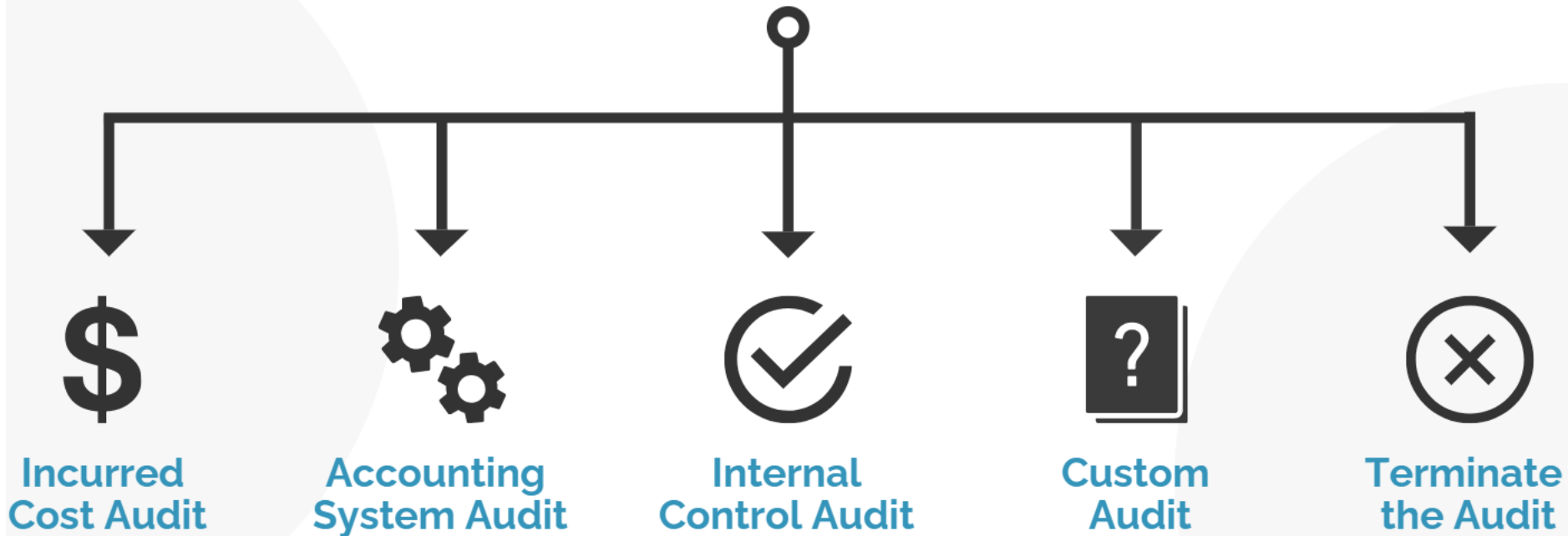


NSF OIG Grant Audits

Auditing NSF Award Recipients with Independent Public Accounting Firms



Survey Phase



Capstone Report

COVID-19 Administrative Flexibilities

Why write the report?

Communicate common themes, findings, lessons learned, and/or issues identified



Create a body of work that the federal government can use to inform future decisions in the event of another national emergency



Capstone Report

COVID-19 Administrative Flexibilities

Any common observations?

**NSF
Sponsored
Research &
Activities
Continued**



**Recipients
Were
Generally
Prudent**



**Insufficient
Time and/or
Guidance**



**Recipient
Hesitation**



**Inconsistent
Tracking and
Monitoring**



Capstone Report

COVID-19 Administrative Flexibilities

What were the report's conclusions?

Improve consistent and timely implementation across federal agencies



Increase clarity & reduce opportunities for inconsistent interpretation



Track the flexibilities used and flexibility-related spending



Purchases Near or After Award Expiration



Cost Allocation



Participant Support



Common Award Recipient Audit Findings

Travel



Indirect Costs



Subaward Approval



WHISTLE BLOWER PROTECTION

Who is protected from Retaliation for making Protected Disclosures?



Current and Former NSF Employees



Applicants for NSF Employment



Employees of a Federal Contractor or Subcontractor



Employees of Grantee or Subgrantee

What are 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, or Congress
Additional Information: www.nsf.gov/oig/whistleblower.jsp



whistleblower OMBUDSMAN/COORDINATOR

William J. Kilgallin

Senior Advisor, Investigations

NSG OIG

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Help OIG Eliminate Fraud and Improve Management



CONTACT US

FRAUD, WASTE, ABUSE, MISMANAGEMENT, FABRICATION, FALSIFICATION, PLAGIARISM, UNNECESSARY EXPENSES?



WHISTLE BLOWERS

SAVE TAXPAYER DOLLARS



PROTECT

NSF EMPLOYEES, CONTRACTORS, AND GRANTEEES WHO REPORT POTENTIAL WRONGDOING





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Questions?

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Semiannual reports

<http://www.nsf.gov/oig/reports>

