



Office of Naval Research Update

Northeast Conference on College Cost Accounting

September 13, 2021

Presented by: Brian Bradley, Director, IDC Branch



Today's Topics

- I. Introduction
- II. Organizational Structure
- III. IDC Branch Responsibilities
- IV. ONR Field Office Responsibilities
- V. ONR CAS Initiative Update



Today's Topics

- VI. ONR Audit Resolution Focus
- VII. ONR Process and Timeframes
- VIII. Valuable DCAA Audits
- IX. Submission Errors/Audit Findings
- X. Odds and Ends



R. Brian Bradley Biography

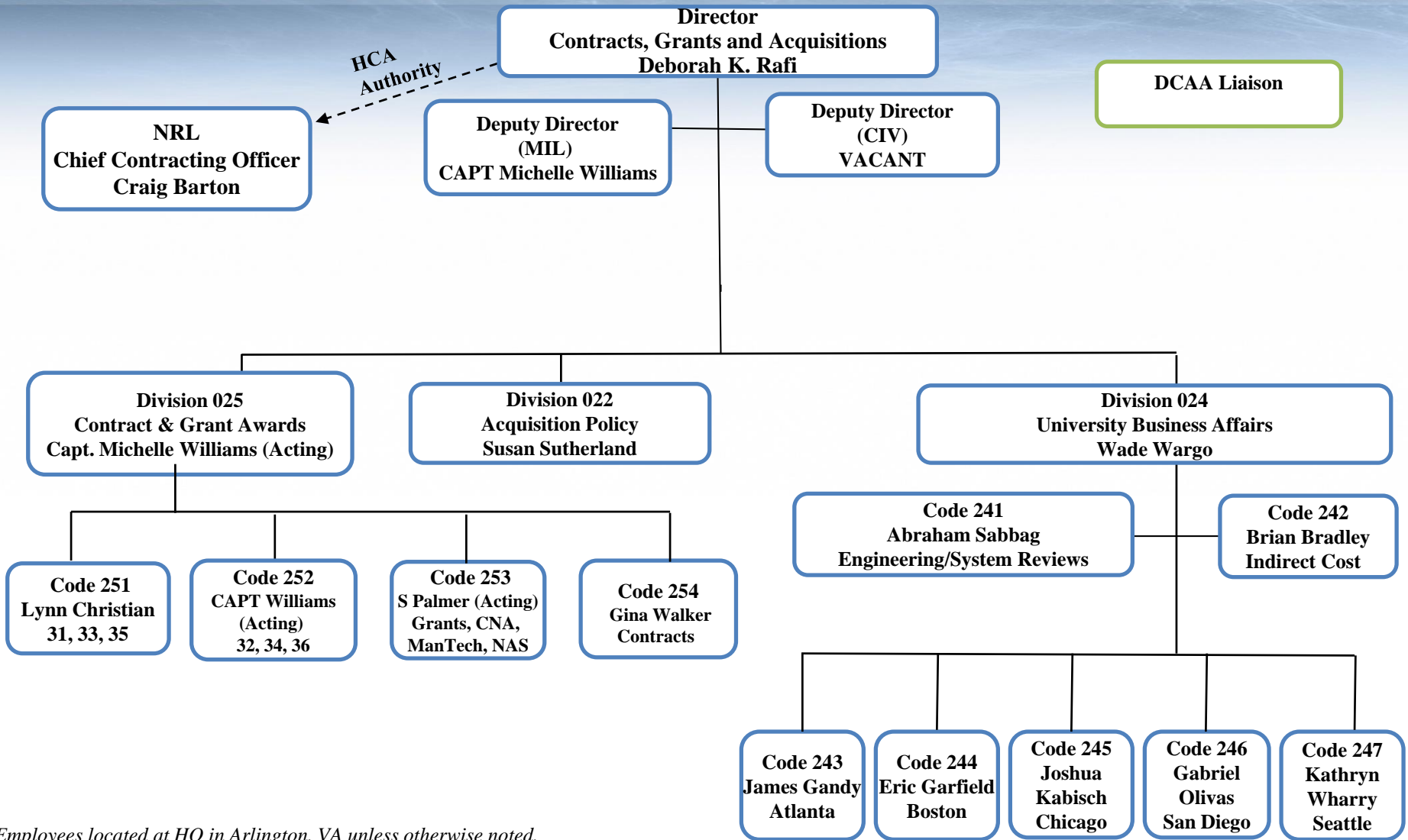
Brian Bradley is the Director of the Indirect Cost branch at the Office of Naval Research (ONR). Brian has been working at ONR since September 1992. He started as an intern contract negotiator working his way as journeyman contract specialist, senior contract specialist, and as supervisory contract specialist. Brian holds a Bachelor's of Business Administration in Finance from the University of Memphis, and a Master's of Business Administration from the University of Memphis.

DISTRIBUTION STATEMENT A. Approved for public release





ONR 02 Acquisition Organization

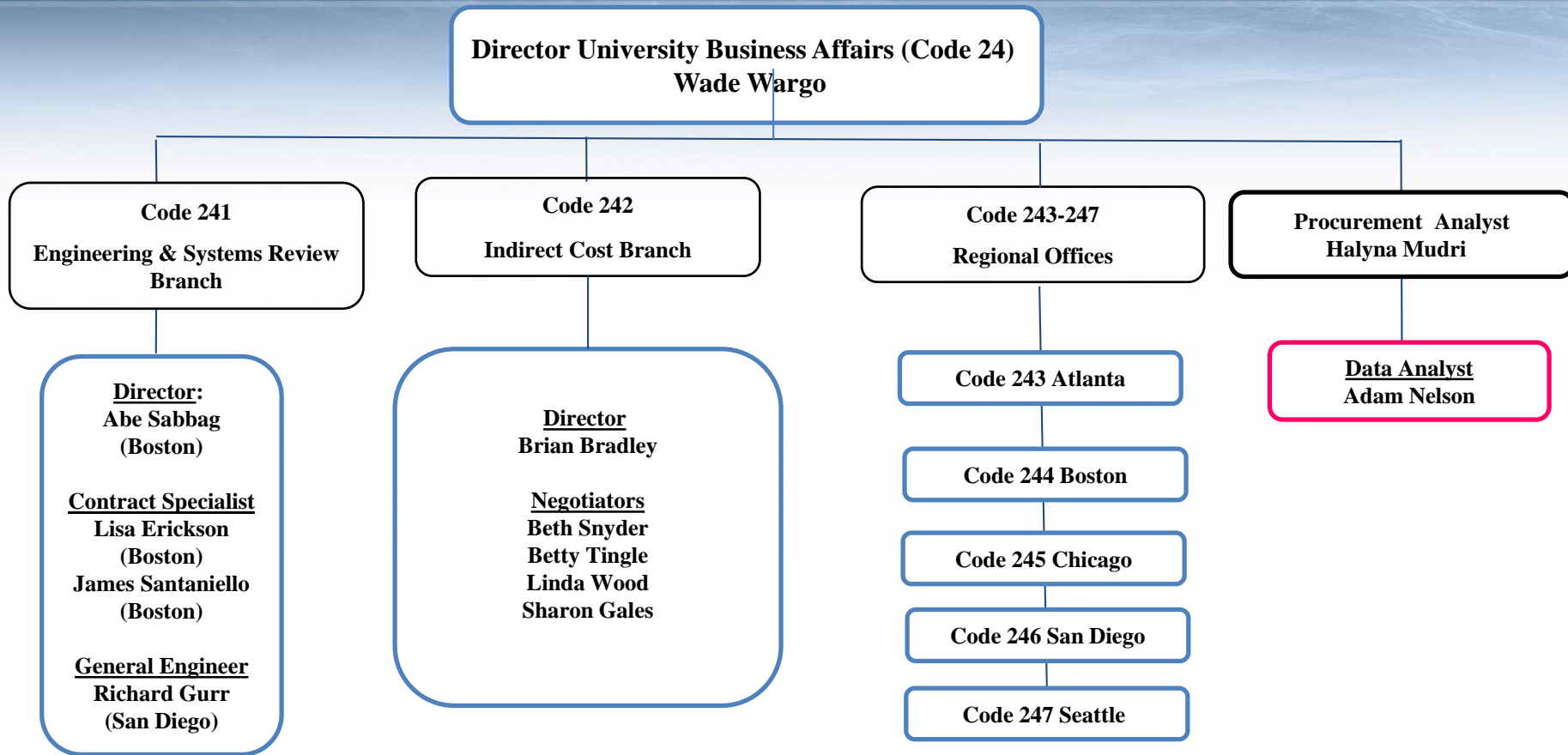


Employees located at HQ in Arlington, VA unless otherwise noted.





University Business Affairs Division



Government

Contractor

Employees located at HQ in Arlington, VA unless otherwise noted.



ONR Indirect Cost (IDC) Branch Code 242

Brian Bradley, Director

Beth Snyder, Contracting Officer/Negotiator

Betty Tingle, Contracting Officer/Negotiator

Linda Wood, Contracting Officer/Negotiator

Sharon Gales, Contracting Officer/Negotiator



Indirect Cost Branch Responsibilities

Authority to Establish Rates

- Educational Institutions FAR 42.705-1
(Which takes you to the OMB UG at 2
CFR part 200)



IDC Branch Services Provided

- Indirect/F&A Rate Negotiations with Universities and Nonprofit Organizations
39 Universities, 79* NPO's
- Administration of CAS matters
- Audit resolution assistance and oversight
- Provide guidance to internal/external PCO's
- Special Projects



Regional Office Responsibilities

Services Provided

- Pre-Award Assistance
- Post-Award Orientation
- Award to Closeout Administration
- Payment Approvals & Follow-ups



Services Provided (Continued)

- Business System Reviews/Audit Coordination
- Audit Resolution
- Payment and Cash on Hand Reviews
- Property Administration



Regional Office Responsibilities

Services Provided (Continued)

- Assist Contractors/Grantees Understand Award Requirements



ONR CAS Initiative Update

- Started the Initiative Fall CY 2019
- Issued Open Letter 20 AUG 2020
- Conformed DS were Due to ONR JAN 2021
- 21 Universities and 7 Non Profits
- 2 Universities that No longer over Threshold
- Some Entities had up to Three DS
- 20 Entities DS on track to be approved by the end of Month
- This Initiative should be wrap up in GFY22



ONR Audit Resolutions

- Started an Initiative in 2020
- Purpose was to Strengthen Internal Control for Grant Payments
- Started Hold Monthly Open Office Hours
- Enhanced our Procedures
- Made Significant Progress in Tackling Single Audit Backlog
- Started on Oldest Audits First



ONR Timeframes and Processes



DISTRIBUTION STATEMENT A. Approved for public release



University Timeframes

Forward Pricing

- Submit proposals **6 months** before their fiscal year begins, not less than 4 months before.
- Based upon **most recently completed fiscal year (FY22 based upon FY20) and any accounting or business changes.**



University Timeframes (Continued)

Forward Pricing

- Ideally ONR negotiates rates **BEFORE** the university fiscal year begins.
- **Not later than** the last day of the University's fiscal year (for fixed or predetermined rates).



University Timeframes (Continued)

Actual CFW Proposals – submit within the six-month period following the expiration of its fiscal year.



University Timeframes (Continued)

Audit Request – sent out within one week of receiving proposal, usually sooner.

- Request **90 days** for completion of Forward Pricing audit.
- Request **12 months** for completion of CFW audit.
- Extensions



University Processes

1. ONR Receives audit report and sends to university for comment.
2. ONR reviews audit report, university comments, performs analysis and may discuss findings or questions with DCAA.



University Processes (Continued)

3. ONR holds pre-negotiation conference, if necessary, (with DCAA input as required) and arrives at pre-negotiation position.
4. ONR submits business clearance for review and approval. (Generally two levels of approval are required.)



University Processes (Continued)

5. After business clearance approval ONR sends agreement to university for signature.
6. ONR signs agreement.
7. ONR sends DCAA copies of business clearance and fully executed rate agreement.



Forward Pricing

- We generally rely on DCAA audits to express opinion on the allowablity, allocablity and reasonableness of the university costs.
- Some areas of interest include:
 - Changes in Rates
 - Allocation Base Changes
 - Historical Under/Over proposing of rates



Forward Pricing (Continued)

- The DCAA Audit is a **Tool** in our negotiation of Provisional, Fixed and Predetermined Rates.
- We include DCAA in negotiations when there are audit findings, particularly when there are difficult issues.



Incurring Cost

- We rely on DCAA audits to express opinion on the allowability, allocability and reasonableness of the costs.
- The DCAA audit is **the main tool** ONR uses to negotiate final rates.



Incurring Cost (Continued)

- We involve DCAA in negotiations when there are findings that are difficult to resolve or understand.



Cost Accounting and Disclosure Statement Audits

- We rely heavily on DCAA for these audits.
- The DCAA audit is **the main tool** ONR uses to approve cost accounting changes and issues and disclosure statement adequacy and compliance.



Cost Accounting and Disclosure Statement Audits (Continued)

We involve DCAA in these negotiations particularly in determining the impact of any non-compliances.



Cost Accounting and Disclosure Statement Audits (Continued)

DCAA audits are very important to the ONR Indirect Cost Branch. In some negotiations we use the audit as a tool; whereas, in other negotiations it is the main tool .



Submission Errors/ Audit Findings

Historical Audit Findings

- Special Projects Issue
- Conflict of Interest Issue
- Ineligible Dependent Expenses
- Library Costs
- Reasonable fuel and utilities costs



Submission Errors/ Audit Findings

Historical Audit Findings (Continued)

- Unallowables improperly excluded from the allocation base
- Misallocation of square footage
- Depreciation
- Duplicate expenses



Submission Errors/ Audit Findings

Common Submission Errors

- No breakout of the UCA
- Escalation on everything
- Projections not separately identified



Submission Errors/ Audit Findings

Item of Concern (Not Inclusive)

- Changes in rates
- Allocation base changes
- Historical over or under-recoveries
- Historical over and under-proposing of rates
- ****Allocations****
- Space – policies and allocations
- New buildings



ONR Recent Projects

- Nonprofit Cognizance Issues
- Depreciation Issues
- Rate Proposals New Nonprofits
- Fixed Rates at Nonprofits



ODDS and ENDS

- Virtual Property Reviews
- Grant Certifications in SAM



Questions ???

DISTRIBUTION STATEMENT A. Approved for public release



ONR Website Includes Information on Indirect Rate Proposal Requirements:

<https://www.onr.navy.mil/work-with-us/manage-your-award/manage-grant-award>