

# National Science Foundation Office of Inspector General

## *Audit Update*

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What are we  
covering today?

## OUR AGENDA:

- Who We Are
- Federal Audit Environment
- Work Plan
- NSF OIG Audit Work Now
- NSF OIG Audit Response to COVID-19
- Case Studies
- Whistleblower Information



# 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
- Publications and Brochures
- [www.nsf.gov/oig/outreach](http://www.nsf.gov/oig/outreach)



# 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

# Audit Work Plan



## Revised External Audit Approach

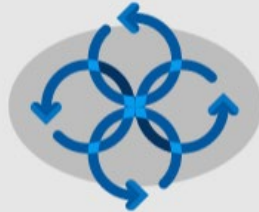
- Revised contract for Independent Public Accounting firms who conduct audits of NSF awardees on behalf of NSF OIG
- New process is flexible and is customized based on the awardee

1

Evaluates risks within the institution's overall grant management environment



2



Allows for customized audit steps to address the unique risks identified at each individual institution

3

Benefits:

- Flexible
- Addresses root causes of issues
- Better use of auditee and OIG resources





# 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 NPFs 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](http://www.oversight.gov)
- Twitter feed @NSFOIG





# NSF OIG COVID-19 Response





## CASE STUDY

### *Unallowable Faculty Salary Structure*

Institution of  
Higher Education

3 Year Audit  
Period

\$22 Million in  
Expenditures in  
Audit Period

## 2 Different Salary Structures



- Institutional Base Salary
- Research Base Salary

*"Charges for work performed on Federal awards by faculty members during the academic year are allowable at the IBS Rate."  
"... In no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period."*

\$342k of Questioned Costs

### Conclusion

The finding was sustained during audit resolution

\*2 CFR §200.430



## CASE STUDY

*Inappropriately  
Allocated Indirect  
Costs*

Institution of  
Higher Education

3 Year Audit  
Period

\$256 Million in  
Expenditures in  
Audit Period

## Negotiated Indirect Cost Rate Agreements

Rate at Time  
of Award



Rate at Time  
of Proposal

\$255k of Questioned Costs

### Conclusion

The finding was sustained during audit resolution



# CASE STUDY

## Unapproved Subawards

Institution of Higher Education

3 Year Audit Period

\$159 Million in Expenditures in Audit Period

Prime Awardee



Subawardee



"... if it becomes necessary to contract or otherwise transfer a significant part of the research or substantive effort after a grant has been made, **the grantee shall electronically submit**, at a minimum (i) a clear description of the work to be performed, (ii) the basis for selection of the subawardee, and (iii) a separate budget for each subaward, and **NSF will indicate its authorization by an amendment to the grant signed by the Grants and Agreements Officer.**"

\$891k of Questioned Costs

## Conclusion

The finding was sustained during audit resolution, with caveat

\*NSF Proposal & Award Policies & Procedures Guide, Chapter VII



# CASE STUDY

## Expenses Not Properly Allocated

Institution of Higher Education

3 Year Audit Period

\$159 Million in Expenditures in Audit Period

Stipends & Tuition



Publications



Supplies



Travel



Equipment



*"... organizations may not shift costs to meet deficiencies caused by overruns or other fund considerations, or for other reasons of convenience."*

*"If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, ... the costs may be allocated or transferred to benefitted projects on any **reasonable documented** basis."*

\$129k of Questioned Costs

## Conclusion

The finding was sustained during audit resolution

\*2 CFR §200.405





# 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](http://www.nsf.gov/oig/whistleblower.jsp)



# whistleblower OMBUDSMAN/COORDINATOR

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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 GRANTEES WHO REPORT POTENTIAL WRONGDOING







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# Questions?

## General

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## Semiannual reports

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

