




# **Financial Reviews, Site Visits, and Audit Resolution**

## **NSF Grants Conference**

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Phoenix, AZ**

# ***Cost Analysis and Audit Resolution (CAAR) Restructure***

## **Cost Analysis & Pre-Award (CAP) Branch**

*focus on pre-award oversight functions*

## **Resolution & Advanced Monitoring (RAM) Branch**

*focus on post-award oversight functions*



# Office of Budget, Finance & Award Management (BFA)

Chief Financial Officer & Director, Office  
Of Budget, Finance & Award Management

Large Facilities  
Office

Budget Division  
(BFA/BD)

Division of Acquisition  
& Cooperative Support  
(BFA/DACS)

Division of Financial  
Management  
(BFA/DFM)

Division of Grants &  
Agreements  
(BFA/DGA)

Division of Institution  
& Award Support  
(BFA/DIAS)

Budget  
Operation &  
Systems Branch

Program  
Analysis Branch

Contracts Branch

Cooperative  
Support Branch

Accounting  
Operations  
Branch

Cash  
Management  
Branch

Financial  
Systems  
Branch

EHR/BIO Branch

MPS/GEO/SBE/OIA  
Branch

ENG/CISE/OCI/  
OPP/OISE Branch

Policy Office

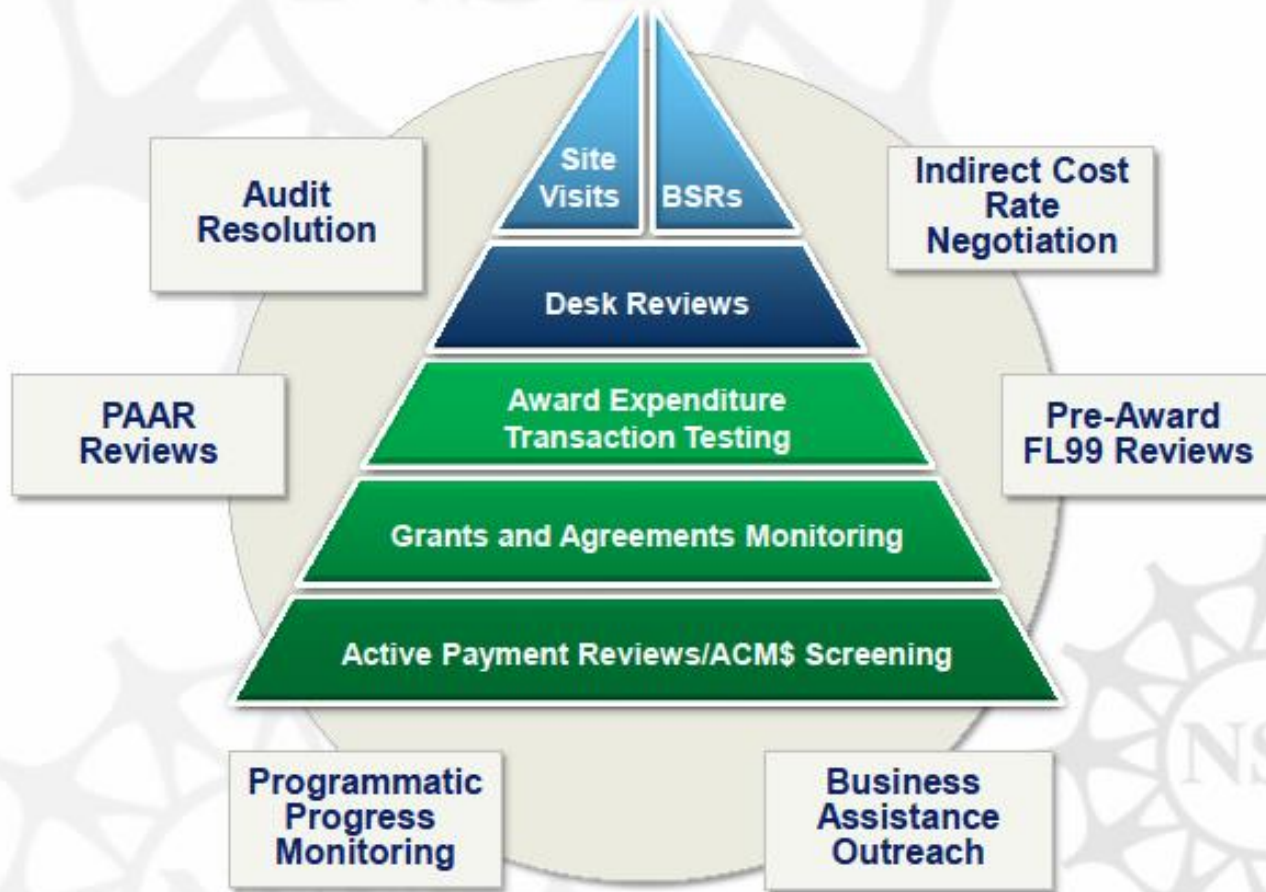
Systems Office

Cost Analysis &  
Pre-award Branch

Resolution &  
Advanced  
Monitoring Branch



**NSF conducts a wide range of monitoring activities to provide comprehensive coverage of the NSF award portfolio**



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**COST ANALYSIS  
AND  
PRE-AWARD  
(CAP)**



National Science Foundation



# Pre-Award Activities

## Who and What We Review

### **New / Infrequent Awardees**

- Project cost accounting system
- Internal controls
- Written policies and procedures
- Financial viability
- Budget review

### **Establish Awardees**

- Budget review
- Subrecipient monitoring
- Outstanding issues and concerns



# Pre-Award Activities

## FL99s for Large Awards

Subrecipient Monitoring Written Policies and Procedures  
Pre-Award Monitoring  
Post-Award Monitoring

Calculation of Level of Effort (LOE) for Post Docs,  
Undergrads, and Other Professionals

G.6 Other Direct Costs



# Pre-Award Activities

## Indirect Cost Rates

NSF does not negotiate formal indirect cost rate agreements with colleges / universities (HHS)


NSF negotiates ICRs for approximately 100 non-profit organizations and may calculate award specific rates for entities with no federal rate

Cognizance can change, based on funding levels

Indirect costs should be proposed using the rate and base consistent with the current rate agreement







**RESOLUTION  
and  
ADVANCED MONITORING  
(RAM)**



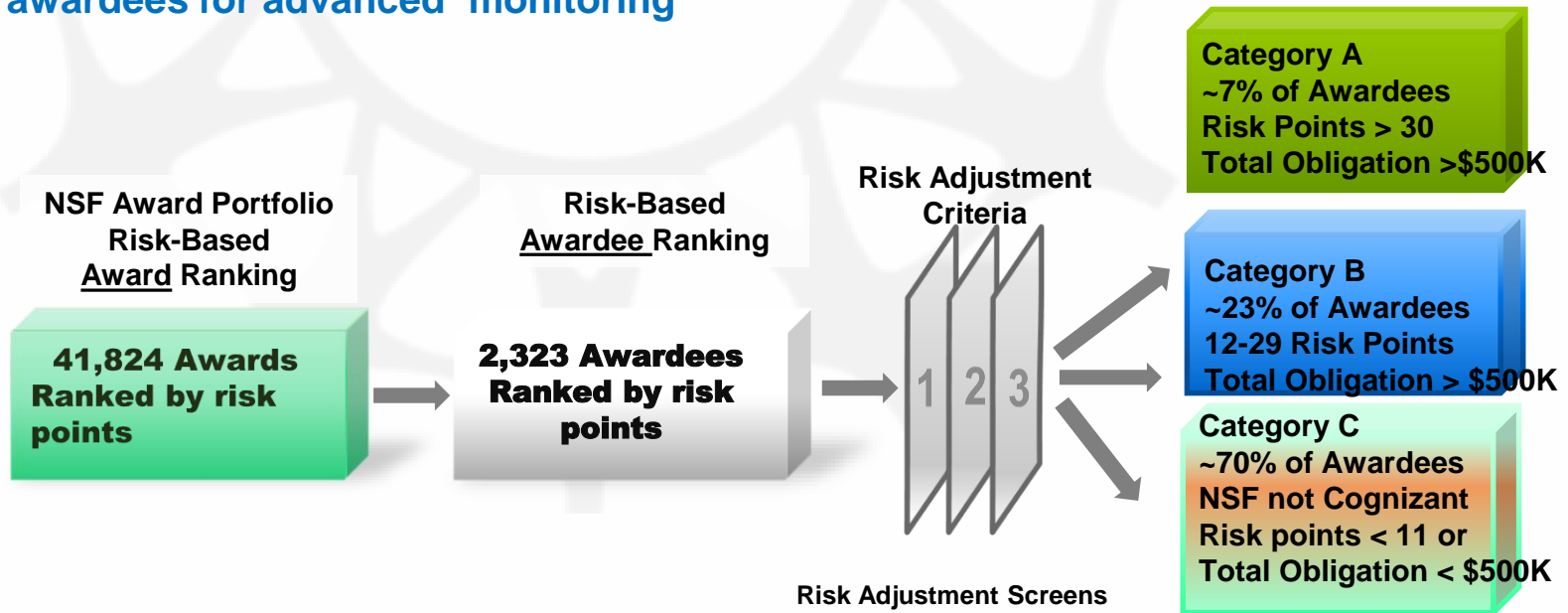
# NSF uses a risk-based portfolio monitoring strategy that integrates its monitoring activities and focuses monitoring activities on awardees administering higher risk awards

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



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



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

Prioritize monitoring based on:

- Highest risk points
- Highest Dollar
- Number of awards

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



# Advanced Monitoring: What We Look For

Desk Reviews, Targeted Reviews, Site Visits and BSRs seek strong, **documented** internal controls for the following areas:

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



# Advanced Monitoring Activities

## Desk Reviews



A desk review is an overview of the awardee's ability to manage Federal funds.

- Review of an organization's award administration practices
- Provides a cost –effective monitoring tool
- May result in a follow-up site visit or BSR (business system review)
- Foundation for the site visit's targeted review activities
- Performed by a third party contractor, overseen by NSF staff



# Advanced Monitoring Activities

## Targeted Review Assessment



- Quick, targeted review of an awardee's internal controls over a specific area of compliance
- Target area selected in response to risks identified
- Quick Turnaround – from selection of awardees to completion of reviews in 90 days
- Performed by NSF staff



# Advanced Monitoring Activities

## Site Visits



Assess awardee grant management systems

- to ensure efficient/effective performance of NSF awards
- to ensure compliance with federal regulations

Assess awardee's financial management system for

- to ensure accurate disclosure of financial results of NSF awards,
- to ensure effective control over and accountability for all funds, property, and other assets

Allow NSF to extend business assistance



# Advanced Monitoring Activities

## Business Systems Reviews (BSR)

*Performed by the large Facilities Office (LFO)*

- BSR's proactively review business practices of Awardee institutions managing **large facilities** and NSF **Federally Funded Research and Development Centers (FFRDCs)** to ensure compliance with federal and NSF requirements
- BSR's are generally conducted at least once per **5-year award cycle** for all large facilities in construction and/or operation.





# 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, in coordination with the OIG
Audit Follow-up Official (AFO) (NSF Deputy Director or designee)	Makes final determination in the event of escalated disagreement



# Audit Themes Driving OIG Questioned Costs

- Lack of adequate supporting documentation
- Equipment purchases at the end of an award
- Allocation of costs charged to 2 or more awards
- Participant support costs
- Compensation adequately documented
- Costs typically F&A charged directly
- Sub-recipient monitoring



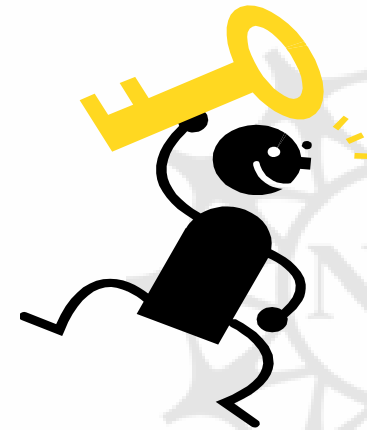
# NSF Management and OIG

- NSF Management and the NSF OIG are partners in stewardship
- Both share common goals of promoting effective, efficient government
- Complementary roles: the OIG identifies areas of concern and questioned costs; NSF ensures appropriate corrective actions/internal controls are in place at awardee for oversight of federal funds



# Keys to Success for Awardees

- Focus on the objectives of the project/program – if objectives change or you think they might, contact Program to discuss and obtain prior approval as needed
- Understand the requirements and expectations (award terms and conditions, NSF policy, OMB Guidance)
- Implement and adhere to strong internal controls over federal awards
- Document policies and procedures in **writing**
- Maintain adequate supporting documentation for all charges made to federal awards
- Obtain required prior NSF approvals, as needed
- ***Ask Early, Ask Often!***



# Questions?

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