



# **NSF Grants Conference**

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

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Office of Budget, Finance, and Award Management (BFA)**



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# Takeaways

Re-structure of pre- & post award activities within Division of Institution and Award Support (DIAS)

General understanding of processes and protocols associated with pre-award reviews

General understanding the timeline, roles, and responsibilities for audit resolution and advanced monitoring activities

NSF expectations for entities during OIG audits, audit resolution, and advanced monitoring activities

Commonly identified areas of concern and non-compliance during pre- & post award activities

How NSF develops recommendations and management decisions and conducts follow up



# Restructure

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

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graph LR; CAAR[CAAR (Cost Analysis and Audit Resolution)] --> CAP[CAP (Cost Analysis & Pre-Award) Branch]; CAAR --> RAM[RAM (Resolution & Advanced Monitoring) Branch];
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The diagram illustrates the restructuring of the CAAR branch into two new branches: CAP and RAM. CAAR is shown in a blue box on the left, with two arrows pointing to the right. The top arrow points to the CAP branch box, and the bottom arrow points to the RAM branch box. Both new branches are also in blue boxes and describe their respective focuses: pre-award oversight for CAP and post-award oversight for RAM.

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

*focus = pre-award oversight functions*

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

*focus = 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

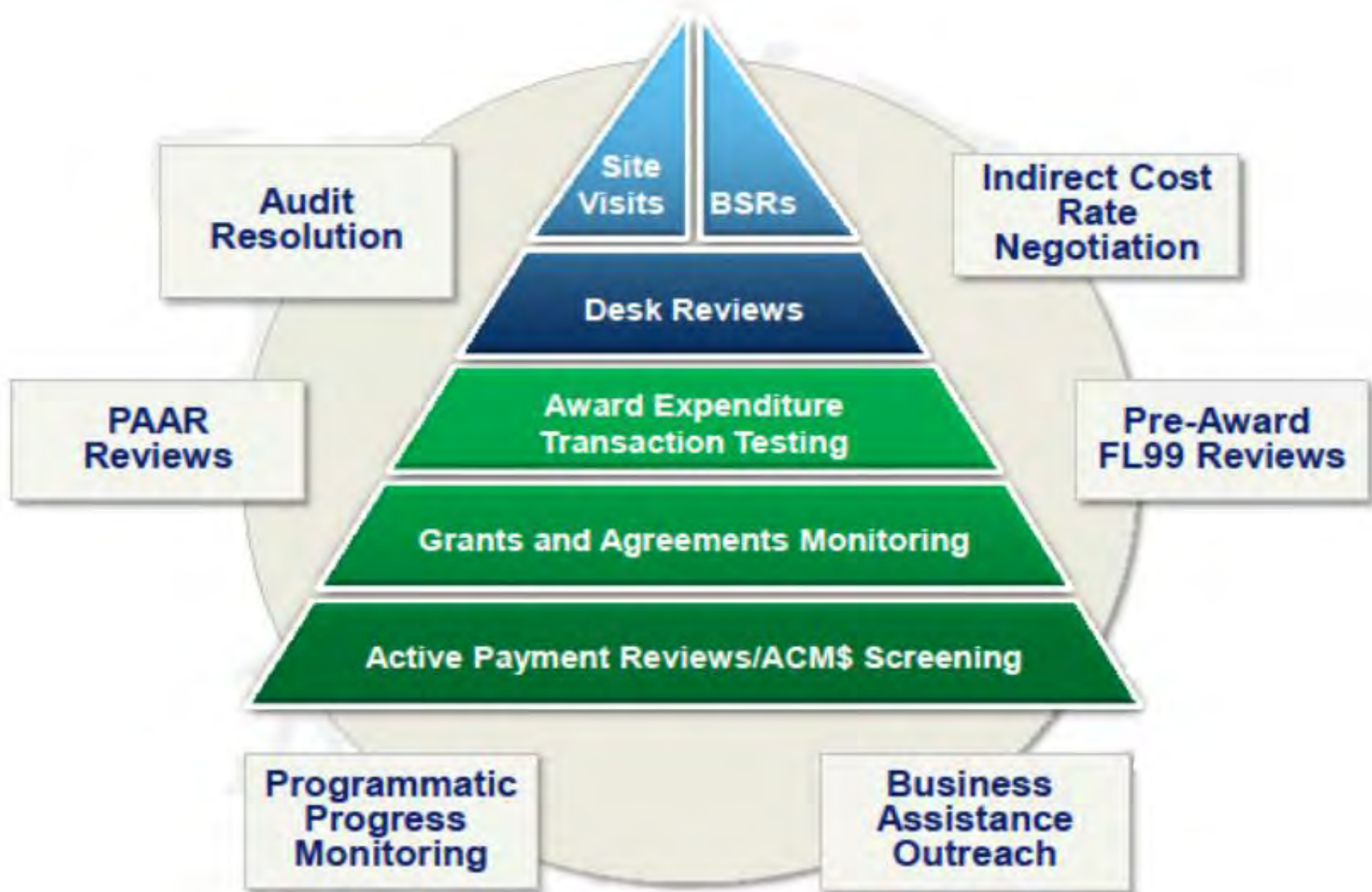
Systems Office


Cost Analysis &  
Pre-award Branch

Resolution &  
Advanced  
Monitoring Branch



# NSF Monitoring Activities





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



# 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

## Key Areas of review

- Subrecipient Monitoring Written Policies and Procedures
  - Pre-Award assessment of risk [2 CFR 200.331(b), (c)]
  - Post-Award Monitoring [2 CFR 200.331(d)]
- Participant Support Written Policies and Procedures
  - Re-budgeting approval [PAPPG Chapter X.A.3b]
- Other Direct Costs (NSF budget line G.6)





# Pre-Award Activities

## Indirect Cost Rates

- NSF negotiates ICRs for approximately 100 non-profit organizations
- 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 &  
ADVANCED MONITORING  
(RAM)***

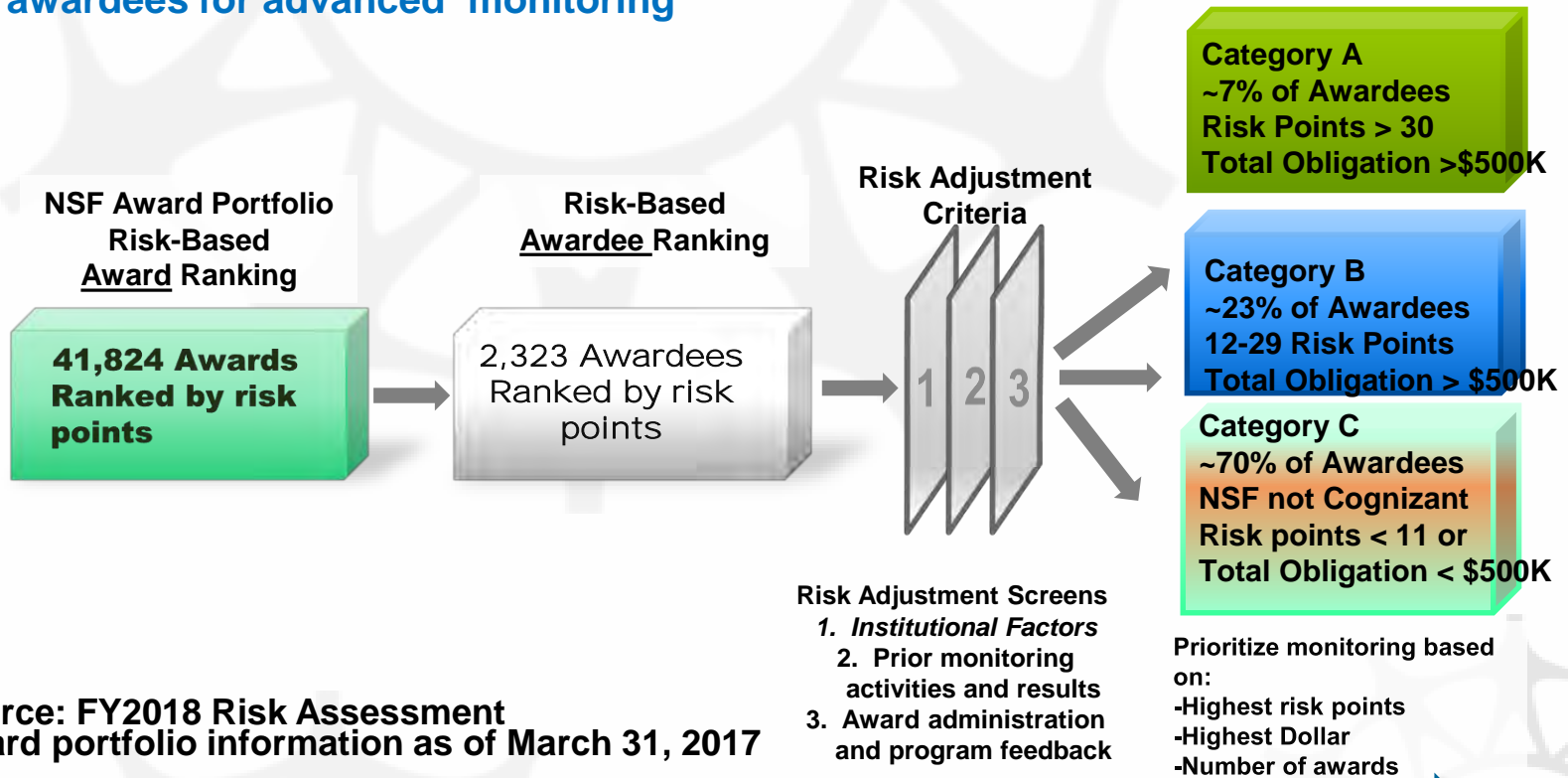


# Risk-Based Monitoring Strategy

- ▶ NSF's portfolio monitoring strategy has three key components –
- 1) **Annual Risk Assessment** enables NSF to focus limited advanced monitoring resources on awardees more in need of monitoring and business assistance
  - 2) **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
  - 3) **Gathering feedback and incorporation 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



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



# Advanced Monitoring: **What We Look For**

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



Focus is on awardee's ability to manage Federal funds, including:

- ▶ Award administration policies & 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 Assessments



- Quick, targeted review of an awardee internal controls over a specific area of compliance
- Targeted areas selected in response to risks identified
- Quick Turnaround – from selection of awardees to completion of reviews in 90 days
- Performed by NSF Contractor Atlas Research, LLC (2018)





# 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

- 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

- to clarify existing policies and procedures
- to potentially prevent future findings and/or disallowances





# Advanced Monitoring Activities

## Business Systems Reviews (BSR)

*Performed by the large Facilities Office (LFO)*

- Proactively 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
- May include review of subrecipients
- Generally conducted at least once per **5-year award cycle** for all large facilities in construction and/or operation.

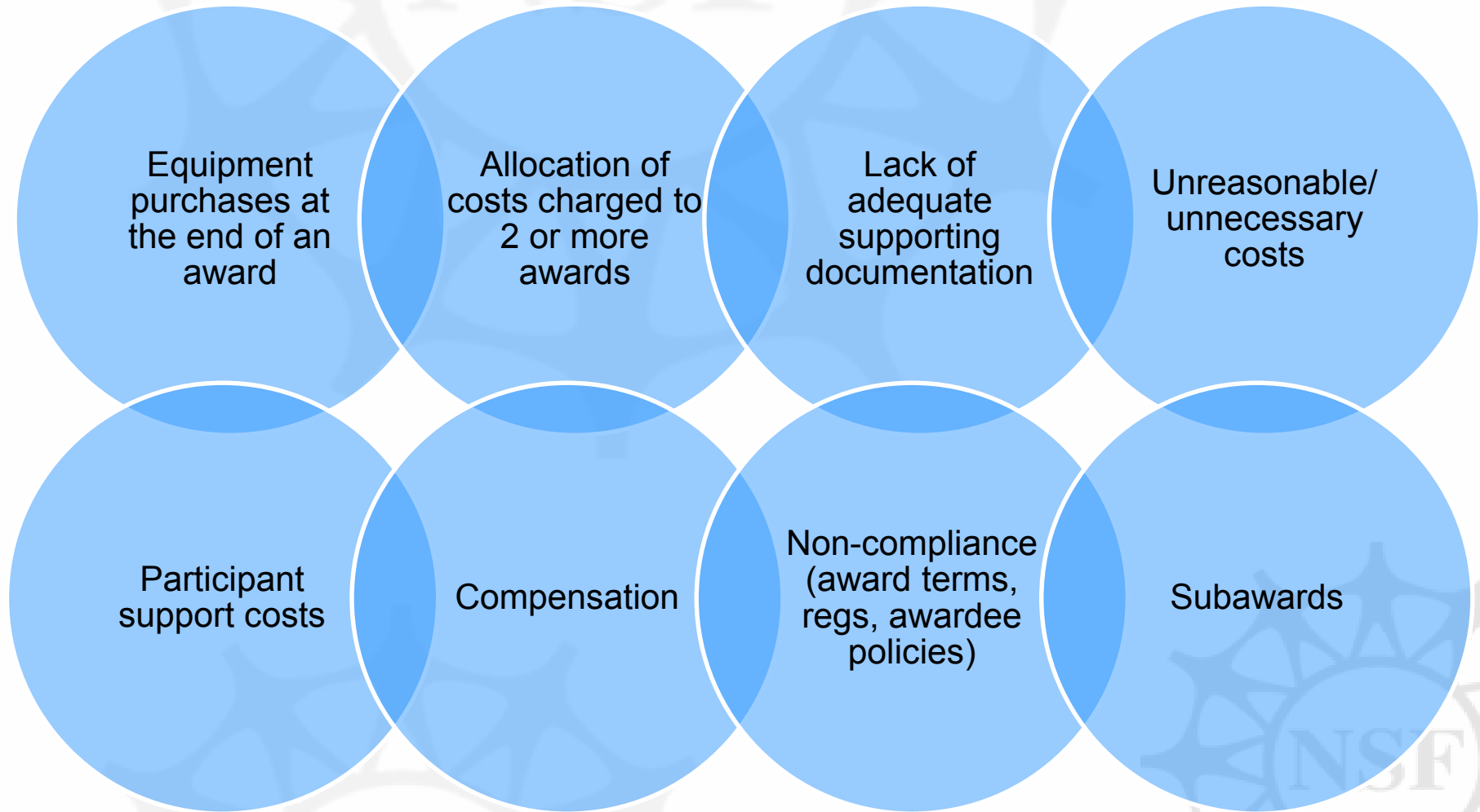


# Audit and Audit Resolution Roles

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



# Audit Themes Driving OIG Questioned Costs



# NSF Management and OIG

- NSF Management and the OIG are partners in stewardship
- 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

- Maintain strong internal controls in **writing**...and adhere to them!
- Keep a watchful eye on expenditures (e.g., reasonableness, necessity, etc.)
- Understand award requirements and expectations (terms and conditions, NSF policy, OMB Guidance)
- Get **prior approvals** when required (see RTC Appendix A, Prior Approval Matrix)
- 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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