Cost Allowability and Post Award Oversight

Division of Institution and Award Support

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Takeaways

Overview of NSF Post Award Oversight
Who are the players involved and what are their roles in post award oversight?
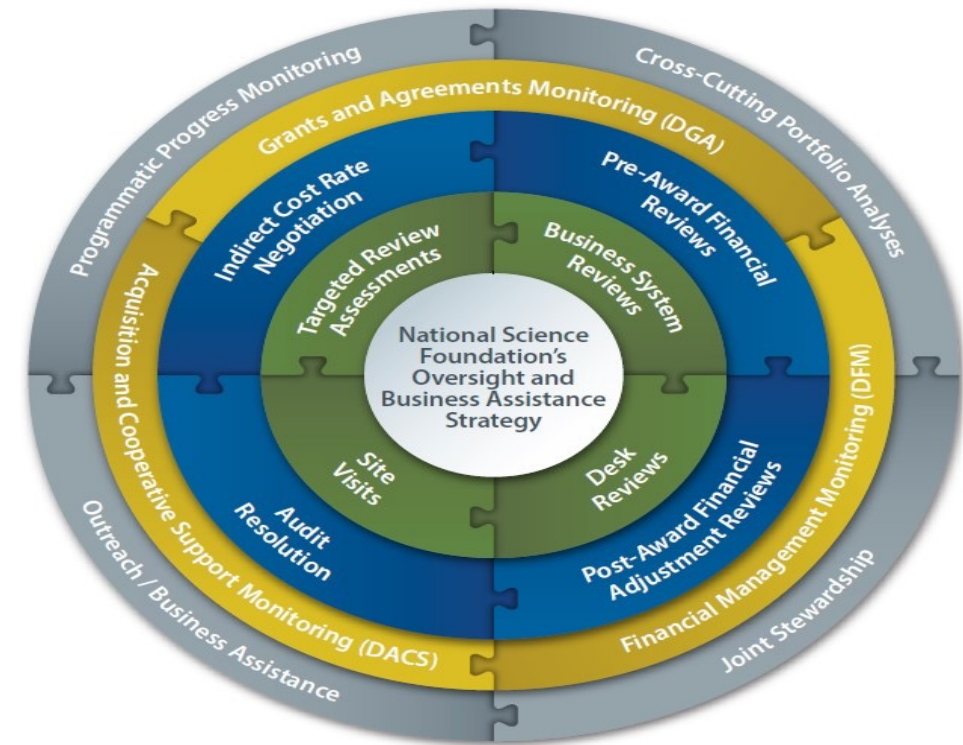

Post Award Oversight Objectives
Discuss the risk-based strategy and the resulting oversight activities.

Trending Areas of Concern
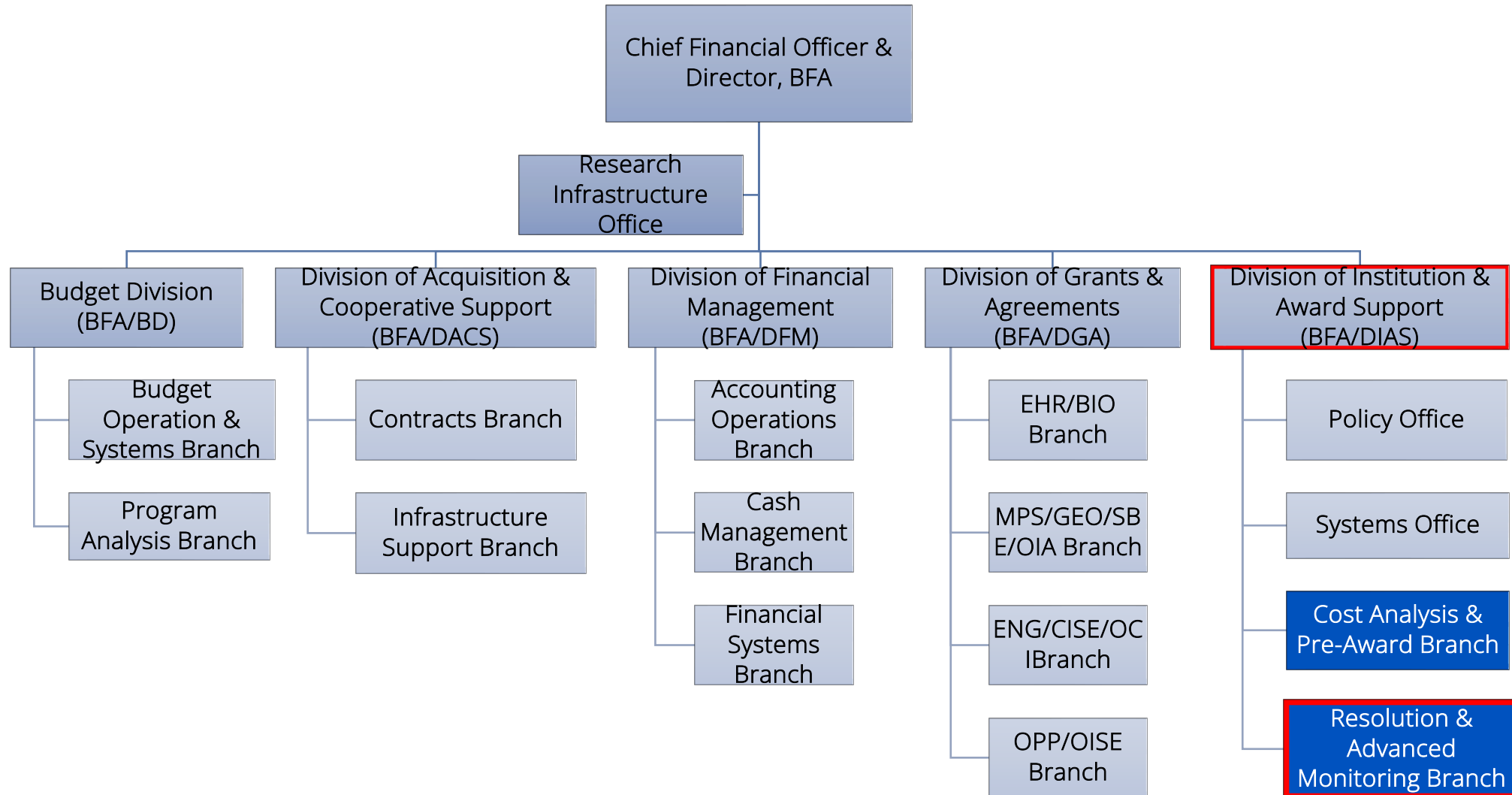Overview common cost allowability issues and other non-compliances noted in oversight activities.

Look for our Keys to Success and other resources later in the slide deck

Office of Budget, Finance & Award Management (BFA)

DIAS Post Award Oversight

Resolution & Advanced Monitoring Branch
- Advanced monitoring, audit resolution, desk reviews, post award adjustment reviews, & targeted reviews, etc.
- NSF staff & contractors

Cost Analysis & Pre-Award Branch
- Pre-award financial reviews, NICRAs
- NSF Centers (STC, MRSEC, etc.) & large facilities
- NSF staff oversee contracted CPA reviews

Systems Office
- Support NSF Annual Risk Assessment & system issues
- Data driven oversight
- Accomplished via NSF staff & contractors

Policy Office
- Grants policy development
- Outreach and awareness activities
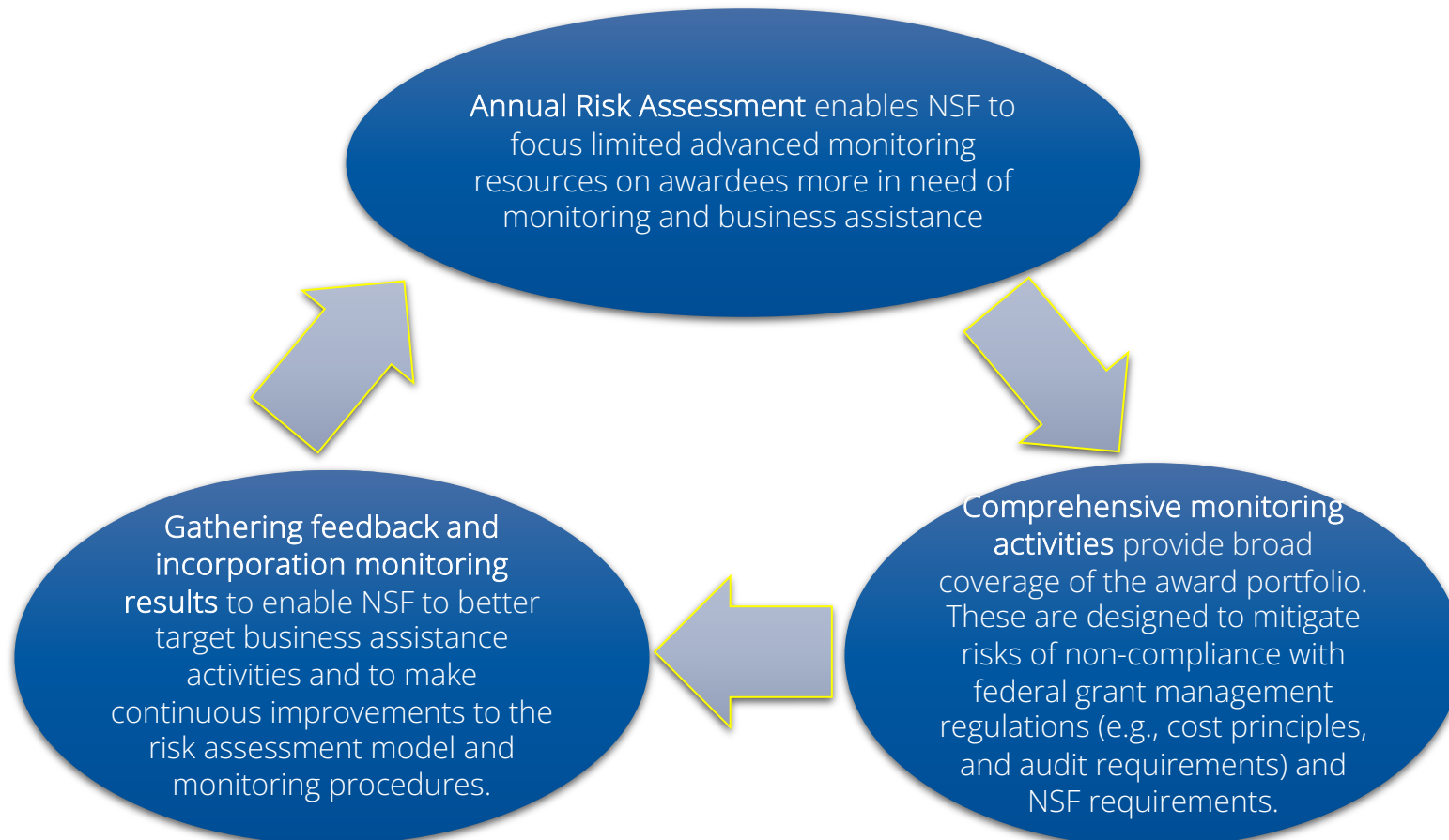- Guidance to research and NSF community

Post Award Oversight
Other BFA Players

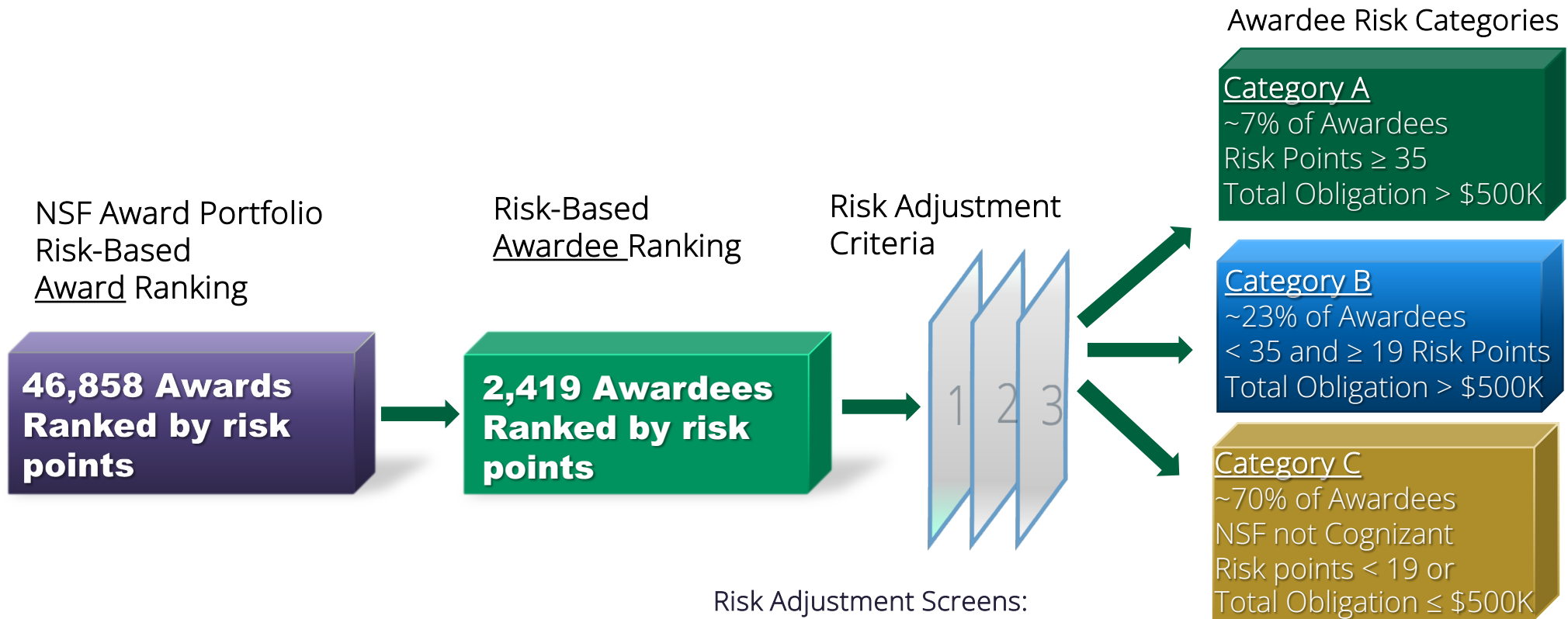| Research Infrastructure Office	Division of Acquisition & Cooperative Support	Division of Financial Management	Division of Grants & Agreements
• Business System Reviews (BSR) • Focus is large facilities/research platforms • Accomplished with NSF staff & contractors	• Grant Officers very "hands on" • Focus is large facilities audits • NSF staff oversee contracted CPA audits	• Baseline monitoring activities • Data driven oversight • Accomplished via NSF staff & contractors	• Baseline monitoring activities • Award level review and approval • Education and outreach

Risk-Based Monitoring Strategy

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 provide broad coverage of the award portfolio. These are designed to mitigate risks of non-compliance with federal grant management regulations (e.g., cost principles, and audit requirements) and NSF requirements.

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.

Advanced Monitoring Risk Assessment

Awardee Risk Categories

NSF Award Portfolio Risk-Based <u>Award</u> **Ranking**

Risk-Based <u>Awardee</u> **Ranking**

Risk Adjustment Criteria

46,858 Awards Ranked by risk points

2,419 Awardees Ranked by risk points

1 2 3

Category A
~7% of Awardees
Risk Points ≥ 35
Total Obligation > $500K

Category B
~23% of Awardees
< 35 and ≥ 19 Risk Points
Total Obligation > $500K

Category C
~70% of Awardees
NSF not Cognizant
Risk points < 19 or
Total Obligation ≤ $500K

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

Source: FY2024 Risk Assessment

Award portfolio information as of March 31, 2023

Prioritize monitoring based on:
-Highest risk points
-Highest Dollar
-Number of awards
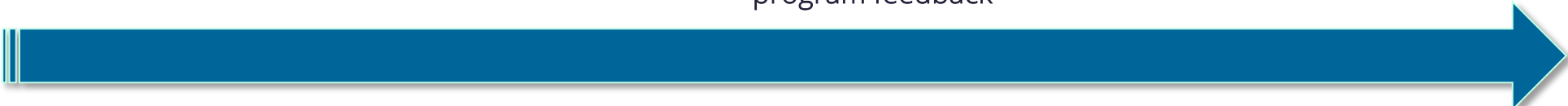
Risk Methodology
Factors we use

Award	Institution	Feedback
Amount Obligated	Type of Organization	Program Office
Instrument Type	Cognizance	Overdue Reports
Complexity	Status: New Awardee?	Special Payments
Budget Categories:	Award Portfolio Risk	FAC
Travel	Total Amount Obligated	Referrals:
Consultants	Prior Monitoring Activities:	DFM
Sub-awards	BSR	DGA
Participant Support	OIG Audits	Program Offices
Time of Processing	Site Visits	CAP/RAM

Advanced Monitoring

What we look for

Strong, <u>documented</u> internal controls for the following areas:

General Management & Organizational Structure	Accounting & Financial Systems

ACM$ Drawdowns	Personnel Compensation	Subawards & Subrecipient Monitoring	Participant Support Costs	Equipment	Consultants

Advanced Monitoring Activities

DESK REVIEWS

A cost-effective monitoring tool that surveys the awardee's ability to manage Federal funds through:

Internal Controls
Assessment of internal controls, general management, and financial systems in place

Risk
Determination of awardee's need for a follow-on site visit, targeted review, or BSR

Feedback
Informs targeted review activities performed during site visits and other oversight functions

Another cost-effective monitoring tool used to conduct a <u>quick</u>, targeted review of the awardee's internal controls over a <u>specific</u> area of compliance

Adds agility and flexibility to DIAS ADVANCED monitoring activities

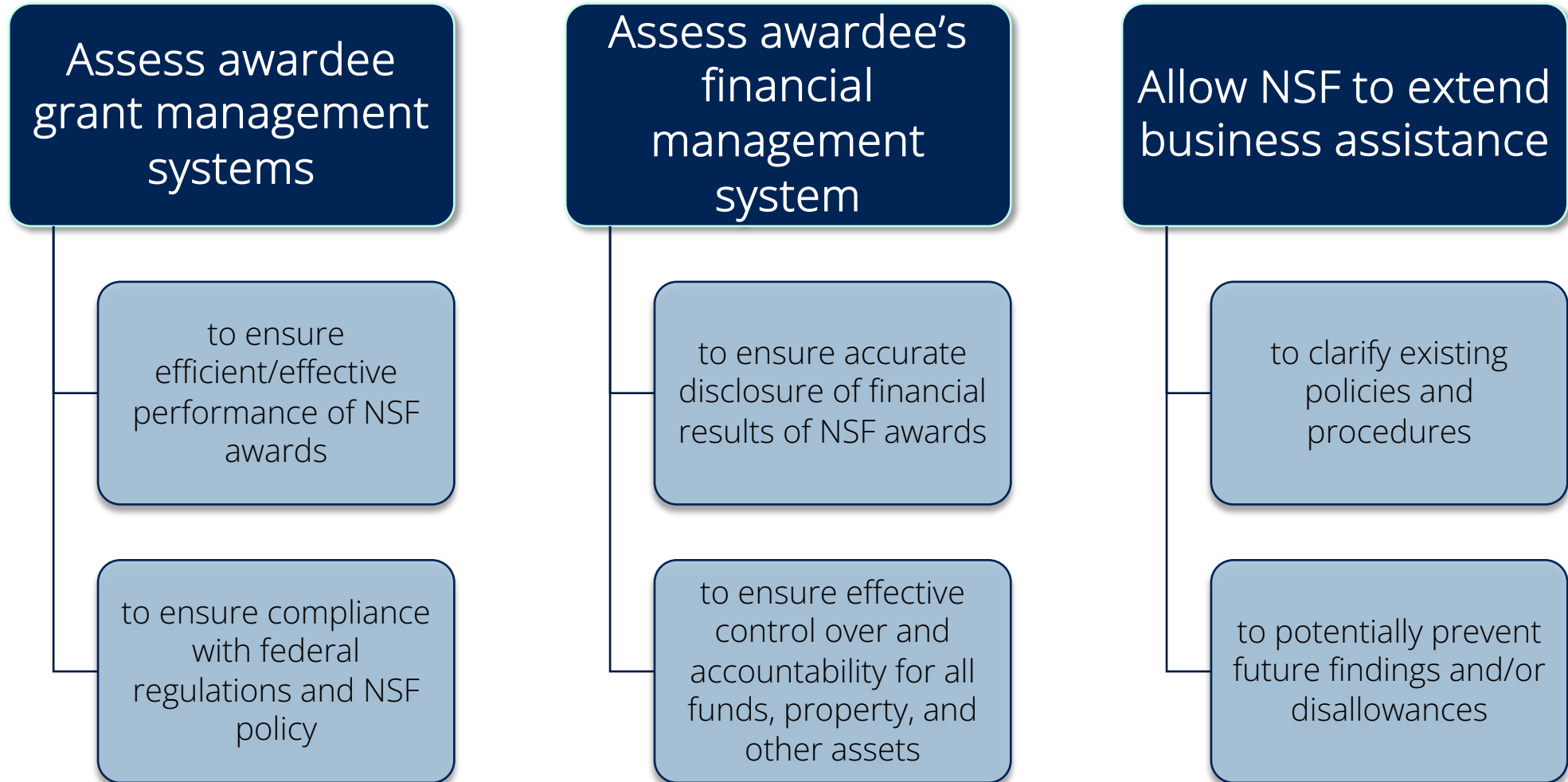Targeted area(s) are based on a specific risk/issue identified

Quick Turnaround – 90 days from selection of awardees to completion of reviews

Performed by NSF staff

Assess awardee grant management systems

to ensure efficient/effective performance of NSF awards

to ensure compliance with federal regulations and NSF policy

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

Trending Areas of Concern
Taken from Site Visit and Desk Review Observations

Lack of Written Policies and Procedures

- Continues to be the most common type of concern
- Very often we engage with awardees that can articulate a process and set of practices that are compliant and sound – these unfortunately not documented
- Significant turnover since COVID-19 pandemic continues and maintaining written policies and procedures is crucial for effective and compliant award financial management

Awardees with Obligations under $15M

- Historically awardees with obligations under $15M represent the bulk of concerns noted from our advanced monitoring activities
- Possible causes for this can be attributed to limited resources and lack of experience managing Federal funds
- Our risk assessment ensures that adequate coverage is provided to this sector of the community to facilitate business assistance
- A tools and resources website was developed to allow all awardees to assess where they are in terms of key compliance areas (e.g., subrecipient monitoring), please note that data entered is in no way collected or saved by NSF

Subrecipient Monitoring

- This category provides for a significant number of the concerns noted
- Areas of concerns include; lack of documented risk assessments, prior to awarding *sub*award, absence of NSF approval on subawards currently under performance (including fixed price subawards), and inconsistent monitoring of subrecipients post award
- This cost category will be an area of focus during the FY 2024 advanced monitoring season, including the verification that current subawards have been approved by NSF, NOTE: all requests mut be submitted through research.gov

Audit Resolution

Single Audit & OIG

RAM reviews and resolves compliance and internal control findings, as well as questioned costs contained in audit reports of NSF awardees as required in accordance with 2 CFR §200, Subpart F, and resulting from audits performed by, or on behalf of, the NSF Office of Inspector General (OIG).

OIG Audits
- OIG identifies areas of concern and questioned costs; NSF ensures appropriate corrective action(s) and internal controls are in for proper oversight of NSF funds.
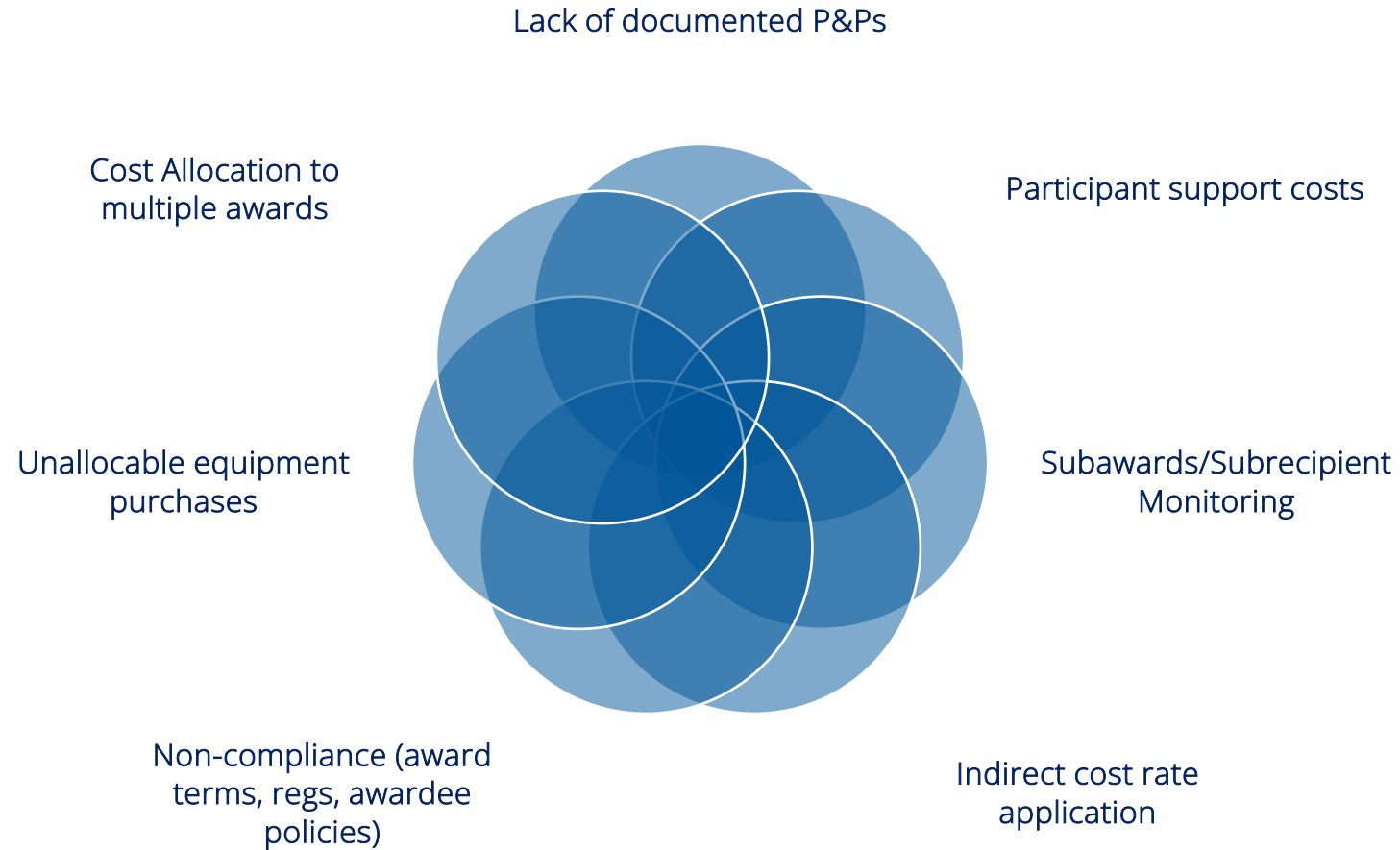
Single Audits
- Single audits are pulled down form the Federal Audit Clearinghouse, assessed for risk, and resolved.

Cost Allowability
Themes Driving Question Costs

Lack of documented P&Ps

Cost Allocation to multiple awards

Participant support costs

Unallocable equipment purchases

Subawards/Subrecipient Monitoring

Non-compliance (award terms, regs, awardee policies)

Indirect cost rate application

Cost Allowability
Proactive ways to avoid common compliance issues

Compliance Issue	Proactive Approach
Subawards	• Create a checklist of all required steps before subaward can be issued, including NSF approval
Documentation issues	• Try to be in the mindset of "how will this look to an auditor X number of years into the future?" • Leverage your project reports: document unanticipated expenditures to demonstrate how these were essential and necessary for the project . • Confirm any verbal confirmations/conversations with NSF staff in writing for your records!
Participant Support	• Ensure that attendance at workshops and other participant related events is documented and maintained.
Indirect cost rate issues	• If you negotiate a NICRA, ensure that rate coverage remains current (don't let your rate coverage lapse) • Ensure that you are applying the correct rate to the correct fiscal period • Read award letters and subaward agreements carefully so you know of any terms and conditions that may affect your rate
Outdated policies and procedures	• Establish a routine schedule for P&P review and updates • Engage new staff in policy/procedure review, to help you identify and correct "gaps" more easily
When in doubt….	• Document, document, document! • Ask early, ask often!

Keys to Success

Maintain strong internal controls in writing...and adherence to them!

Periodic review/monitoring of expenditures (e.g., allocability, reasonableness & necessity, etc.)

Familiarity and adherence with award terms and conditions

Prior approvals obtained when required (see RTC Appendix A, Prior Approval Matrix)

Adequate supporting documentation for expenditures under NSF awards

Check out the new Training, Tools, and Resources on our webpage at: https://www.nsf.gov/bfa/dias/resources.jsp

We are here to help... reach out when unsure about compliance/allowability...

QUESTIONS?

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