Cost Allowability and Post Award Oversight

NSF Grants Conference June 5, 2024

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Takeaways

Overview of NSF Post Award Oversight

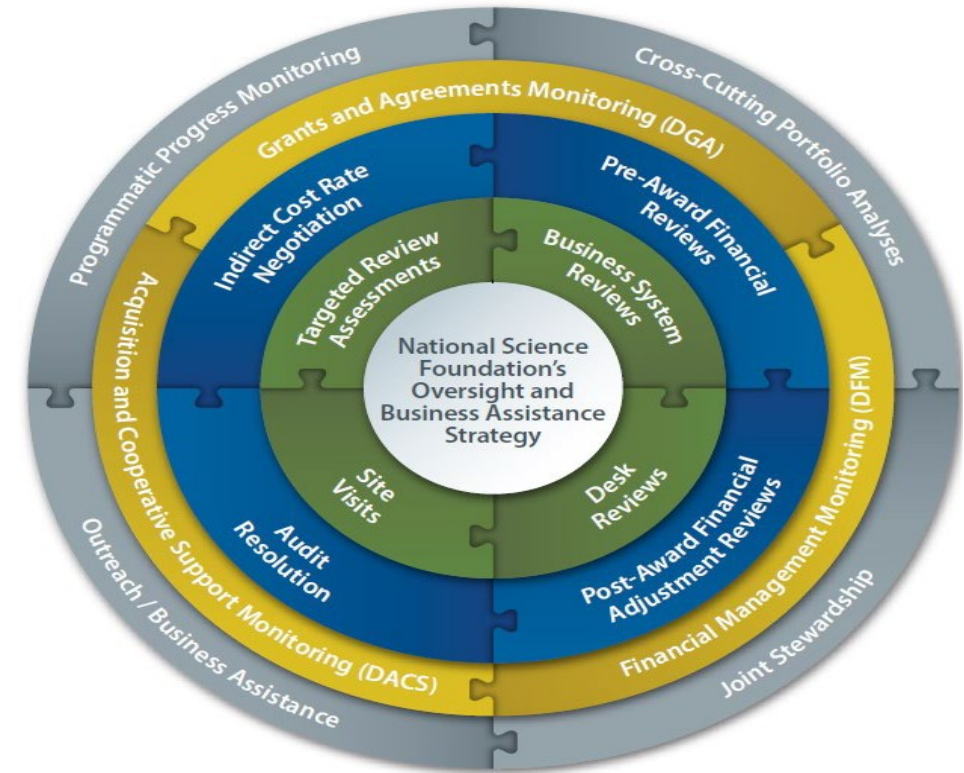Who are the players and what are their roles in post award oversight?

Post Award Oversight Objectives

Overview of the NSF risk-based strategy and resulting oversight activities.

Trending Areas of Concern

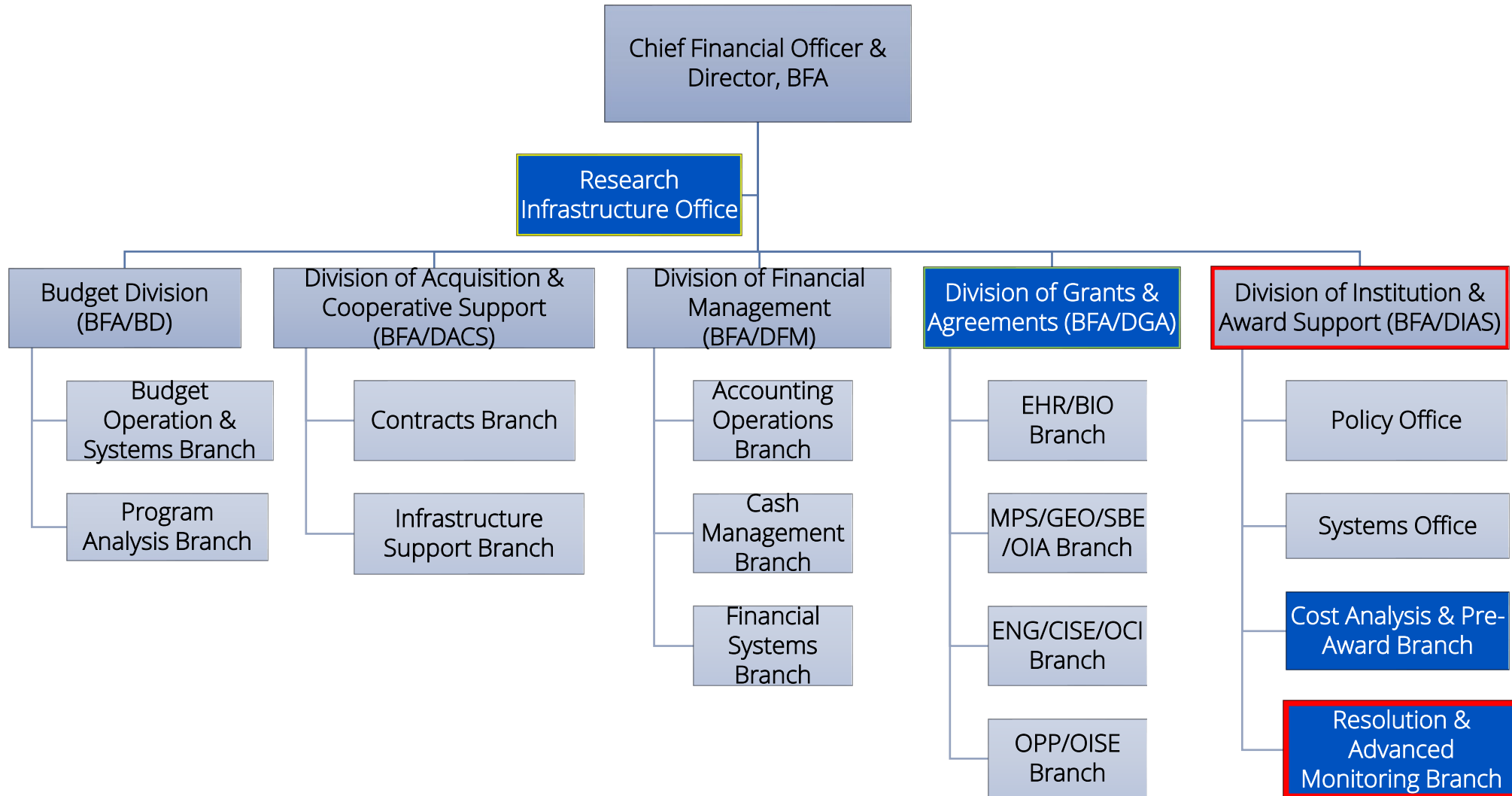Learn about common cost allowability issues and other non-compliances identified during oversight activities.

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

Office of Budget, Finance & Award Management (BFA)

DIAS Agents in 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
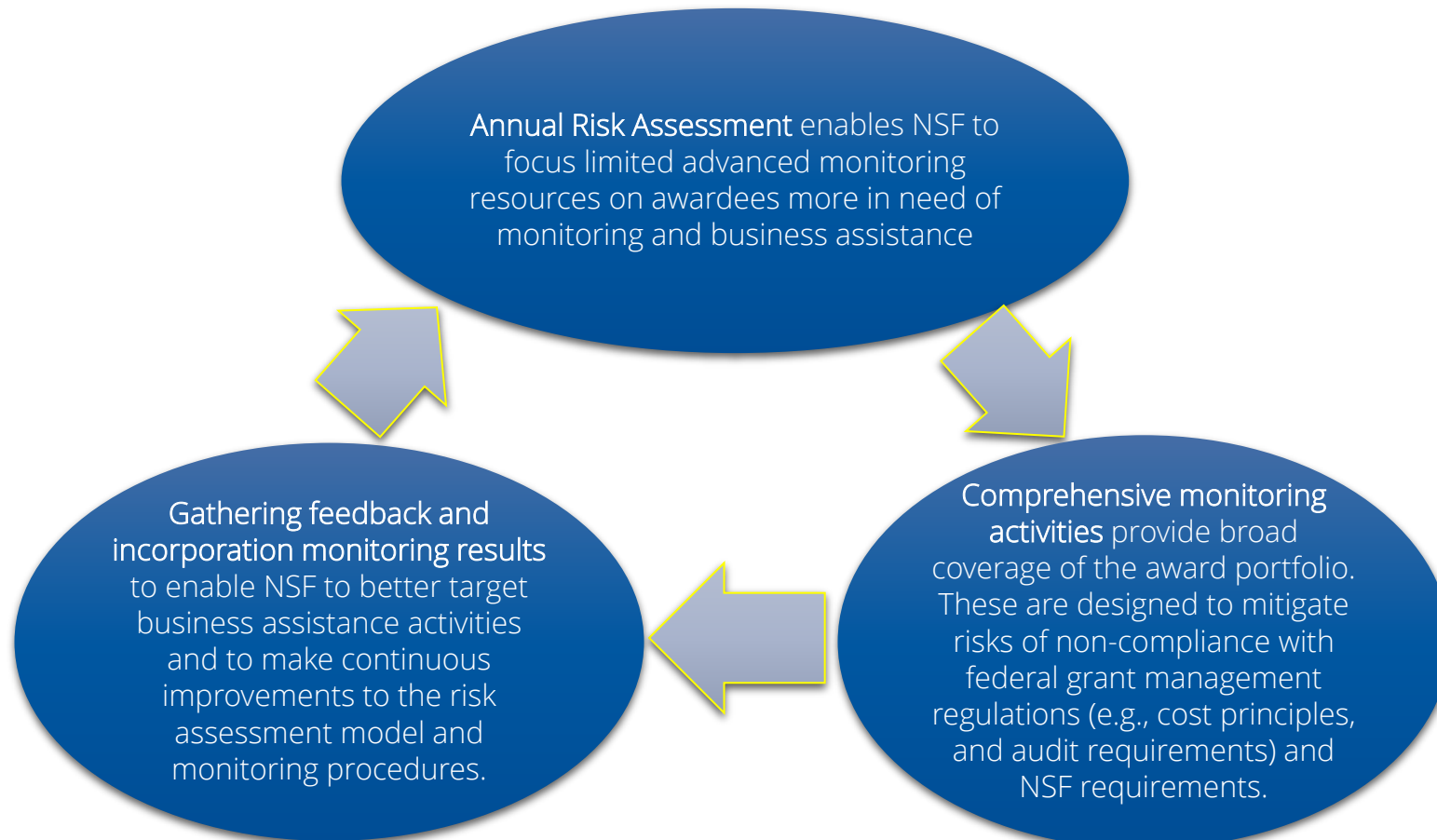- Guidance to research and NSF community

Post Award Oversight

Other BFA Players

Research Infrastructure Office

- Business System Reviews (BSR)
- Focus is large facilities/research platforms
- Accomplished with NSF staff & contractors

Division of Acquisition & Cooperative Support

- Grant Officers very "hands on"
- Focus is large facilities audits
- NSF staff oversee contracted CPA audits

Division of Financial Management

- Baseline monitoring activities
- Data driven oversight
- Accomplished via NSF staff & contractors

Division of Grants & Agreements

- Baseline monitoring activities
- Award level review and approval
- Education and outreach

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

46,858 Awards Ranked by risk points

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

2,419 Awardees Ranked by risk points

Risk Adjustment Criteria

1 2 3

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

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

<u>Category C</u>
~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

Prioritize monitoring based on:
-Highest risk points
-Highest Dollar
-Number of awards

Source: FY2024 Risk Assessment

Award portfolio information as of March 31, 2023
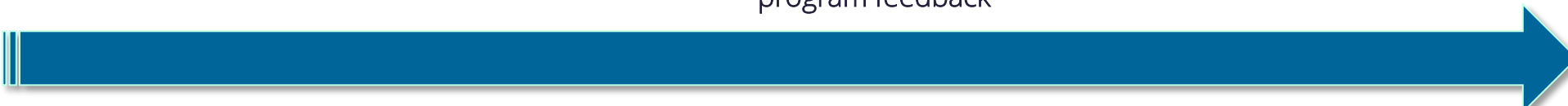
Risk Methodology

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

Strong, documented internal controls over the following areas:

General Management & Organizational Structure

Accounting & Financial Systems

ACM$ Drawdowns

Personnel Compensation

Subawards & Subrecipient Monitoring

Participant Support Costs

Equipment

Consultants

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

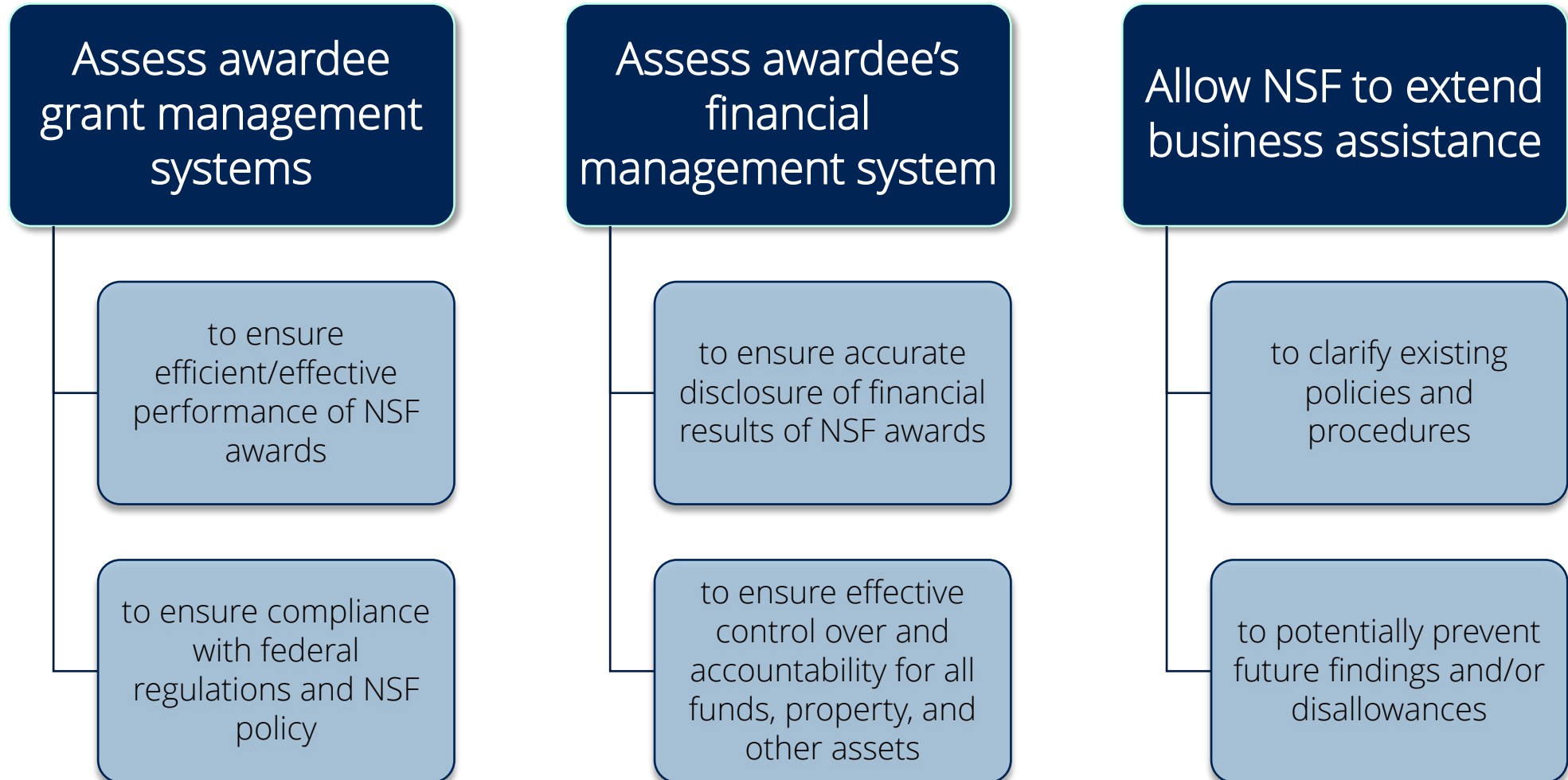Targeted area(s) are based on a specific risk/issue identified

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

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.
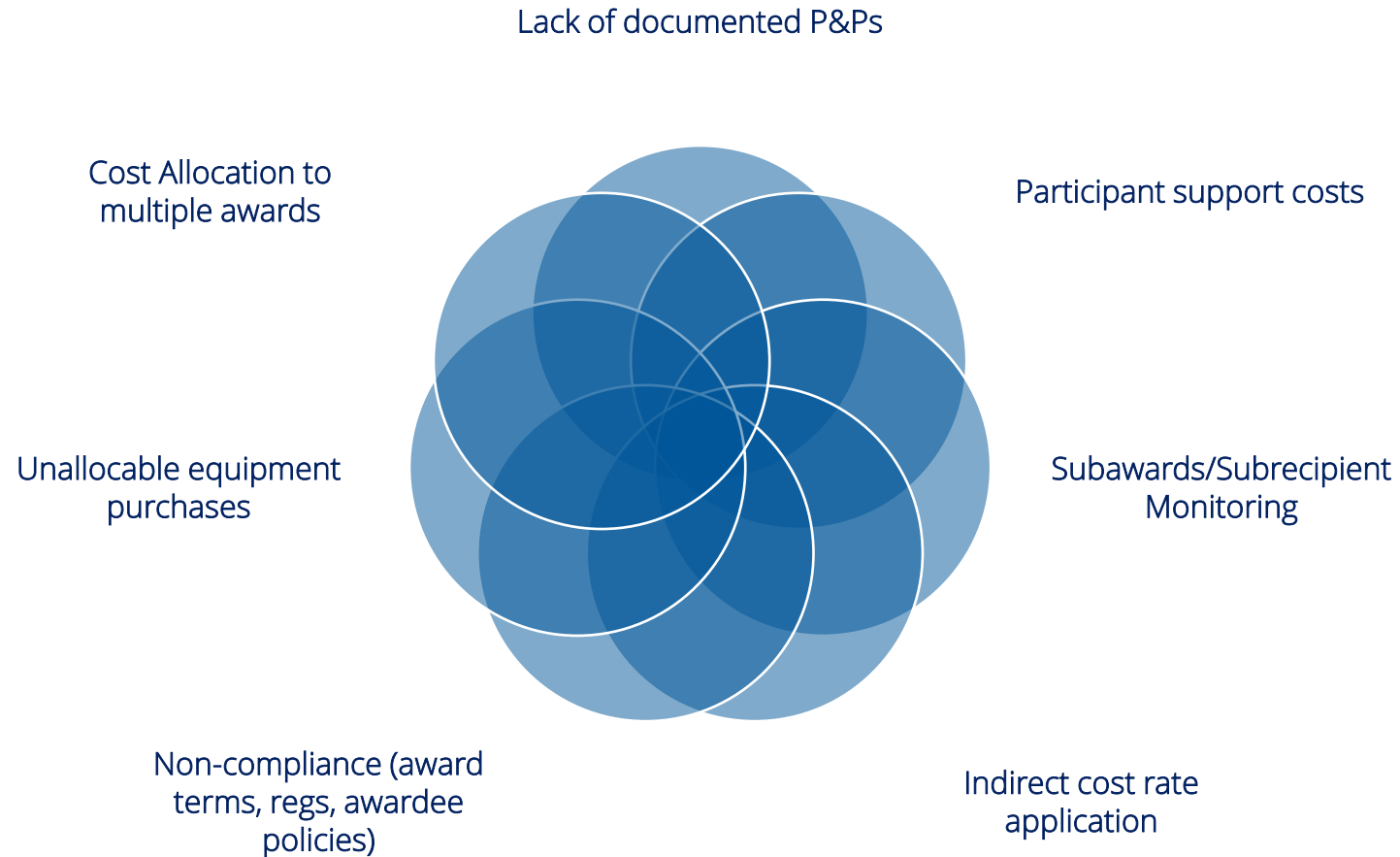
Single Audits
- Single audits are pulled down form the Federal Audit Clearinghouse, assessed for risk, and resolved.

Cost Allowability
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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