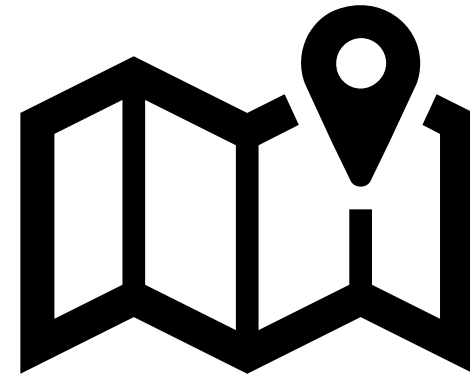


Where is NSF OIG? Audit Roadmap


Elizabeth Goebels
Director, Audit Execution
National Science Foundation
Office of Inspector General



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Discussion Topic Roadmap

1. Where We Were (Recent Audit)
2. Where We Are (Ongoing Audits) 
3. Where We Are Going (Proposed Future Audits)
4. Ask An Auditor: Question and Answer Session

Where We Were/Recent Audit: Subrecipient Monitoring

Objective: To determine if NSF's processes for monitoring awardees are sufficient to ensure that PTEs monitor subrecipients properly.

Sample: 12 active awards with subawards including a major facility with \$187 million in subawards.



Subrecipient Monitoring

- In most cases, NSF's processes for monitoring grantees were sufficient.
- Improvements are needed to ensure that recipients of large and complex awards complete subrecipient risk assessments and consistently identify subawards.



Identifying Subrecipients

- For each agreement the PTE makes, the PTE is required to determine whether the entity receiving the funds is functioning as a subrecipient or a contractor.
- The PTE's determination determines the nature of the PTE's oversight responsibility.



Identifying Subawards

§200.92 Subaward.

- *Subaward* means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity.
- A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.



Identifying Subawards

Subrecipients (a) A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient.

Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- (1) Determines who is eligible to receive what Federal assistance;
- (2) Has its performance measured in relation to whether objectives of a Federal program were met;
- (3) Has responsibility for programmatic decision making;
- (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Contractors: A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor.

Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:

- (1) Provides the goods and services within normal business operations;
- (2) Provides similar goods or services to many different purchasers;
- (3) Normally operates in a competitive environment;
- (4) Provides goods or services that are ancillary to the operation of the Federal program; and
- (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.



Identifying Subawards

- NSF was not always able to identify subrecipients on major facility budget proposals because the systems and documents PTEs used to request approval for subawards did not always distinguish requests for contract funding from requests for subaward funding.
- Some PTEs did not include subrecipient budgets or budget justifications with their proposals.



Identifying Subawards

<p>Description</p> <ol style="list-style-type: none"> 1. Materials and Supplies 2. Publication Costs/Documentation/distrib 3. Consultant Services 4. Computer (ADPE) Services 5. Subcontracts 6. Other 	<p>F. Other Direct Costs</p> <ol style="list-style-type: none"> 1. Materials and Supplies 2. Publication Costs 3. Consultant Services 4. ADP/Computer Services 5. Subawards/Consortium/Contractual Costs 6. Equipment or Facility Rental/User Fees 7. Alterations and Renovations
<p>FastLane Budget</p>	<p>Grants.gov Budget</p>
<p>F. Total participant support costs \$86,300 G. Other direct costs 1. Materials and supplies \$0 2. Publication costs/page charges \$0 3. Consultant services \$14,000 4. Computer (ADPE) services \$0 5. Subcontracts \$960,156 6. Other \$100,000 Total other direct costs \$1,074,156 H. Total direct costs (A through G) \$1,382,716 I. Total indirect costs \$196,963</p>	<p>G. Other Direct Costs</p> <p>Materials Supplies Publication Costs Consultant Services Computer Services Sub Contracts Other Total Other Direct Costs</p>
<p>Award Letters</p>	<p>eJacket</p>



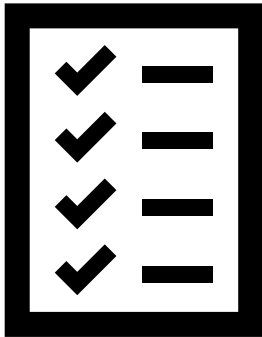
Recommendations

Take action to ensure that PTEs clearly identify entities that will receive a subaward.

- a. Update the terminology on the screen through which potential awardees submit their proposed budgets.
- b. Ask the Department of Health and Human Services, the administrator of the Grants.gov website, to update the budget line to identify subawards and associated costs clearly.
- c. Ensure grants officers obtain separate budgets and budget justifications from PTEs for subrecipients.



Risk Assessments



The Uniform Guidance requires PTEs to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Risk Assessments

- Two major facility PTEs provided risk assessments to NSF, but these documents did not meet the intent of the Uniform Guidance.
- One PTE had not documented a risk assessment for its subrecipient until we asked for one as part of this audit.



Risk Assessments

NSF does not have sufficient policies and procedures to ensure PTEs of large and complex awards complete risk assessments and determine the appropriate level of monitoring needed for their subrecipients.



Recommendation

Ensure NSF's guidance includes a specific mechanism to verify that PTEs of large and complex awards completed subrecipient risk assessments.



NSF Response to OIG Recommendations

NSF Agreed to:

- Update NSF's Business System Review Guide
- Revise the Major Facilities Guide
- Update NSF Standard Operating Guidance
- Update NSF systems



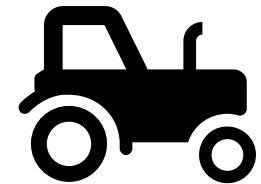
Where We Are/Ongoing Audit: Government-Owned Equipment

- ❑ The objective of this audit is to determine if NSF has controls to ensure it can account for its Government-Owned Equipment (GOE).
- ❑ Site visit to one major facility.



Uniform Guidance: Definition of Equipment

- *Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.
- Title to federally owned property remains vested in the Federal Government.



How Do I Know if I have GOE?

NSF award letter will specify if you have Government-Owned Equipment.



Title to equipment vests with NSF.

Government-Owned Equipment Audit

If you have GOE:

- Annual inventory reporting
- If you anticipate having GOE more than \$70 million, you must disclose the total book value of GOE and property in your audited financial statements.
- FAST Reporting for NSF vehicles
- Disposition instructions.



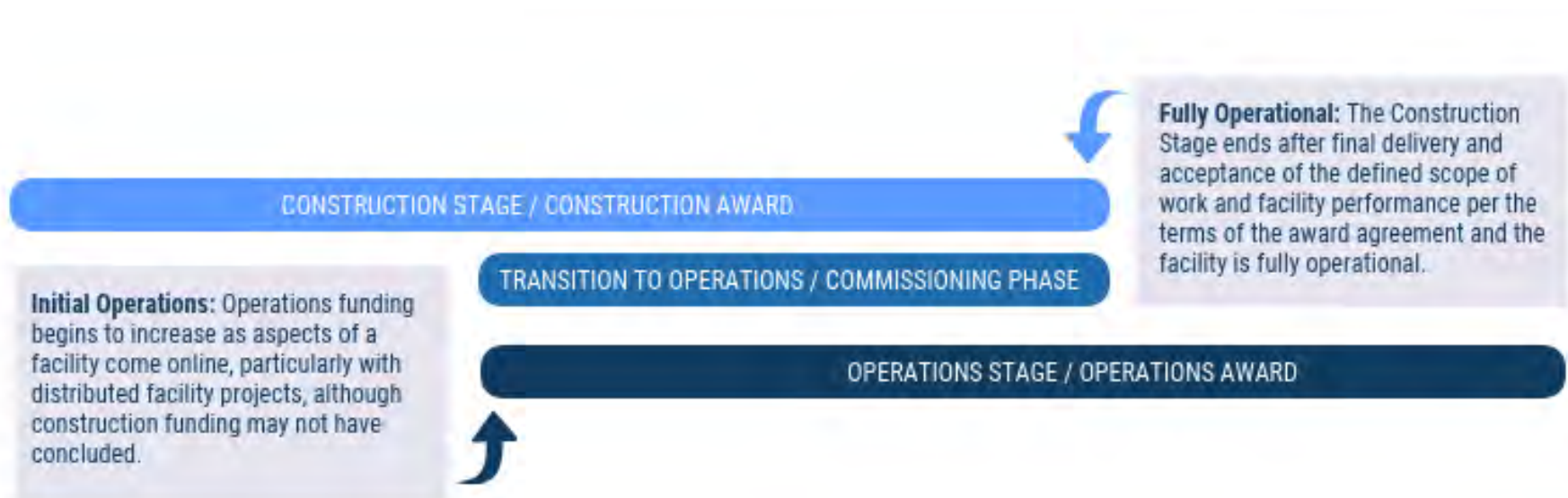
Where We Are/Ongoing Audit: Controls to Prevent Misallocation

Objective: The objective of this performance audit was to determine whether NSF, as part of its oversight of the construction and operations of major facility projects, has internal controls that ensure awardees allocate their construction and operations expenses to the correct award.

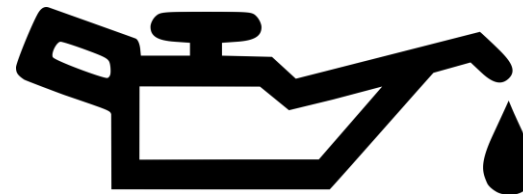
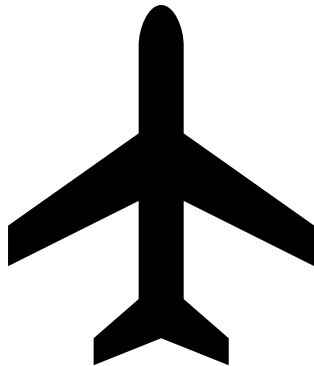
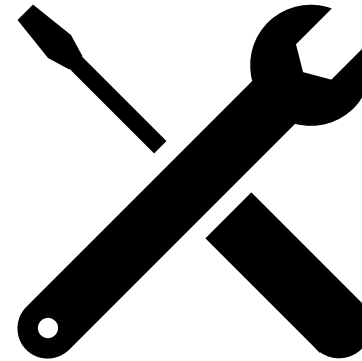
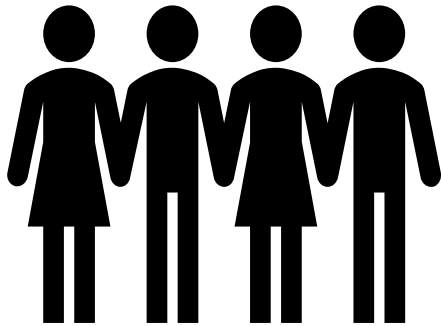
Scope: Site visits to two major facilities.



Construction and Operations Stage and Award Overlap



How Are You Going to Allocate?



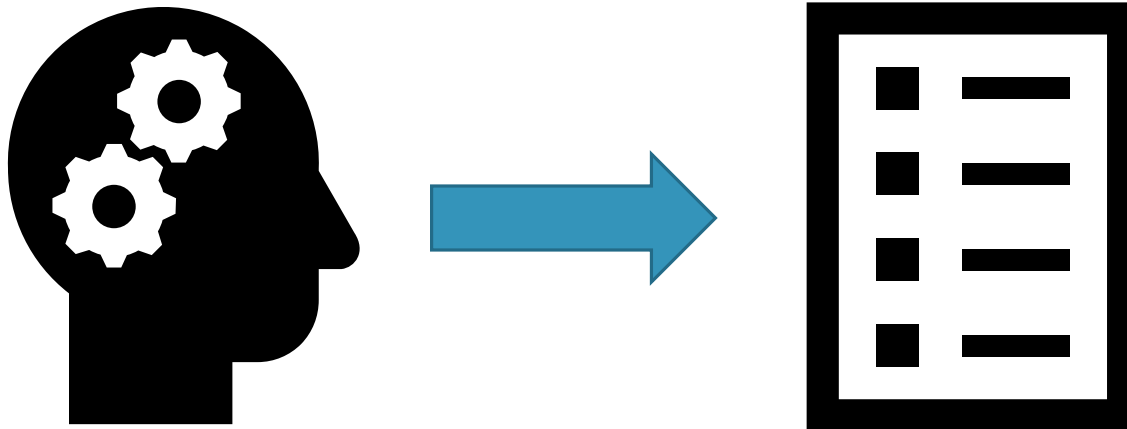
Making Allocation Decisions

- Who is making allocation decisions?
- Is the individual making allocation decisions trained?
- Who and how is the awardee monitoring individual(s) making allocation decisions?
- How are they documenting allocation decisions?



NSF Actions Taken

- ✓ Requesting allocation plans.



I Have Uncompleted Construction Tasks, Now What?

- If there are uncompleted construction tasks what is the process for assessing and documenting the cost and scientific impact of the uncompleted construction tasks?
- Does an independent panel review construction completion and facility readiness?



Where We're Going – Proposed Future Audits

- Divestment of facilities
- Program Income
- NSF's Oversight of the University-National Oceanographic Laboratory's Financial Practices
- https://www.nsf.gov/oig/pdf/Audit_Plan_FY19.pdf - Office of Audits Annual Work Plan FY 2019



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, Congress, or the Media
Additional Information: www.nsf.gov/oig/whistleblower.jsp





Internet Form

www.nsf.gov/report-fraud/form.jcp



Email

oig@nsf.gov



Phone

Business Hours: 703-292-7100
Non-business Hours: 703-328-2189
Anonymous Hotline: 1-800-428-2189

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FAR Contracting
Reporting Form
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Ask an Auditor

