NSF Grants Conference

Financial Reviews, Site Visits, and Audit Resolution

Víctor L. Vélez, CPA, CFE, MBA
Grants and Contract Cost Analyst
Resolution and Advanced Monitoring (RAM)
Division of Institution and Award Support (DIAS)
Office of Budget, Finance, and Award Management (BFA)
Takeaways

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

Chief Financial Officer & Director, BFA

Large Facilities Office

Budget Division (BFA/BD)
- Budget Operation & Systems Branch
- Program Analysis Branch

Division of Acquisition & Cooperative Support (BFA/DACS)
- Contracts Branch
- Cooperative Support Branch

Division of Financial Management (BFA/DFM)
- Accounting Operations Branch
- Cash Management Branch
- Financial Systems Branch

Division of Grants & Agreements (BFA/DGA)
- EHR/BIO Branch
- MPS/GEO/SBE/OIA Branch
- ENG/CISE/OCI/OPP/OISE Branch

Division of Institution & Award Support (BFA/DIAS)
- Policy Office
- Systems Office
- Cost Analysis & Pre-award Branch
- Resolution & Advanced Monitoring Branch
NSF Monitoring Activities

- Site Visits
- Desk Reviews
- Award Expenditure Transaction Testing
- Grants and Agreements Monitoring
- Active Payment Reviews/ACM$ Screening
- Programmatic Progress Monitoring
- Business Assistance Outreach
- Indirect Cost Rate Negotiation
- Pre-Award FL99 Reviews
- Audit Resolution
- PAAR Reviews
Cost Analysis & Pre-award Branch (CAP)
Pre-Award Activities
Who and What We Review

New / Infrequent Awardees
• Project cost accounting system
• Internal controls
• Written policies and procedures (e.g., Participant Support)
• Financial viability
• Budget review

Established 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 negotiated rate agreement (NICRA)
Resolution & Advanced Monitoring (RAM)
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.

### NSF Award Portfolio

- **Risk-Based Award Ranking**
  - 41,692 Awards Ranked by risk points

### Risk-Based Awardee Ranking

- 2,320 Awardees Ranked by risk points

### Risk Adjustment Criteria

1. **Category A**
   - ~7% of Awardees
   - Risk Points ≥ 24
   - Total Obligation > $500K

2. **Category B**
   - ~23% of Awardees
   - 10-23 Risk Points
   - Total Obligation > $500K

3. **Category C**
   - ~70% of Awardees
   - NSF not Cognizant
   - Risk points < 10 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: FY2019 Risk Assessment
Award portfolio information as of March 31, 2018
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

<table>
<thead>
<tr>
<th>Role</th>
<th>Role Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Inspector General and its contractors (Auditor)</td>
<td>Conducts audits and issues reports in compliance with government auditing standards</td>
</tr>
<tr>
<td>Awardee (Auditee)</td>
<td>Provides requested information; addresses recommendations after resolution with NSF Management</td>
</tr>
<tr>
<td>NSF Management (Office of Budget, Finance and Award Management – BFA)</td>
<td>Resolves audit findings and recommendations with Auditee, <strong>in coordination with the OIG</strong></td>
</tr>
<tr>
<td>Audit Follow-up Official (AFO) (NSF Deputy Director or designee)</td>
<td>Makes final determination in the event of escalated disagreement(s)</td>
</tr>
</tbody>
</table>
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
Audit Themes Driving OIG Questioned Costs

- Equipment purchases at the end of an award
- Allocation of costs charged to 2 or more awards
- Lack of adequate supporting documentation
- Unreasonable/unnecessary costs
- Participant support costs
- Compensation
- Non-compliance (award terms, regs, awardee policies)
- Subawards
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
• Ask Early, Ask Often!
Questions?

Víctor L. Vélez, Grants and Contract Cost Analyst - RAM  
vicvelez@nsf.gov
703.292.2710

Rochelle Ray, RAM Branch Chief  
rray@nsf.gov
703.292.4827

Charles Zeigler, CAP Branch Chief  
czeigler@nsf.gov
703.292.4578