

NSF POST AWARD MONITORING & COMPLIANCE
Division of Institution & Award Support
Cost Analysis & Audit Resolution Branch

NSF AT NCURA

Charlie Zeigler

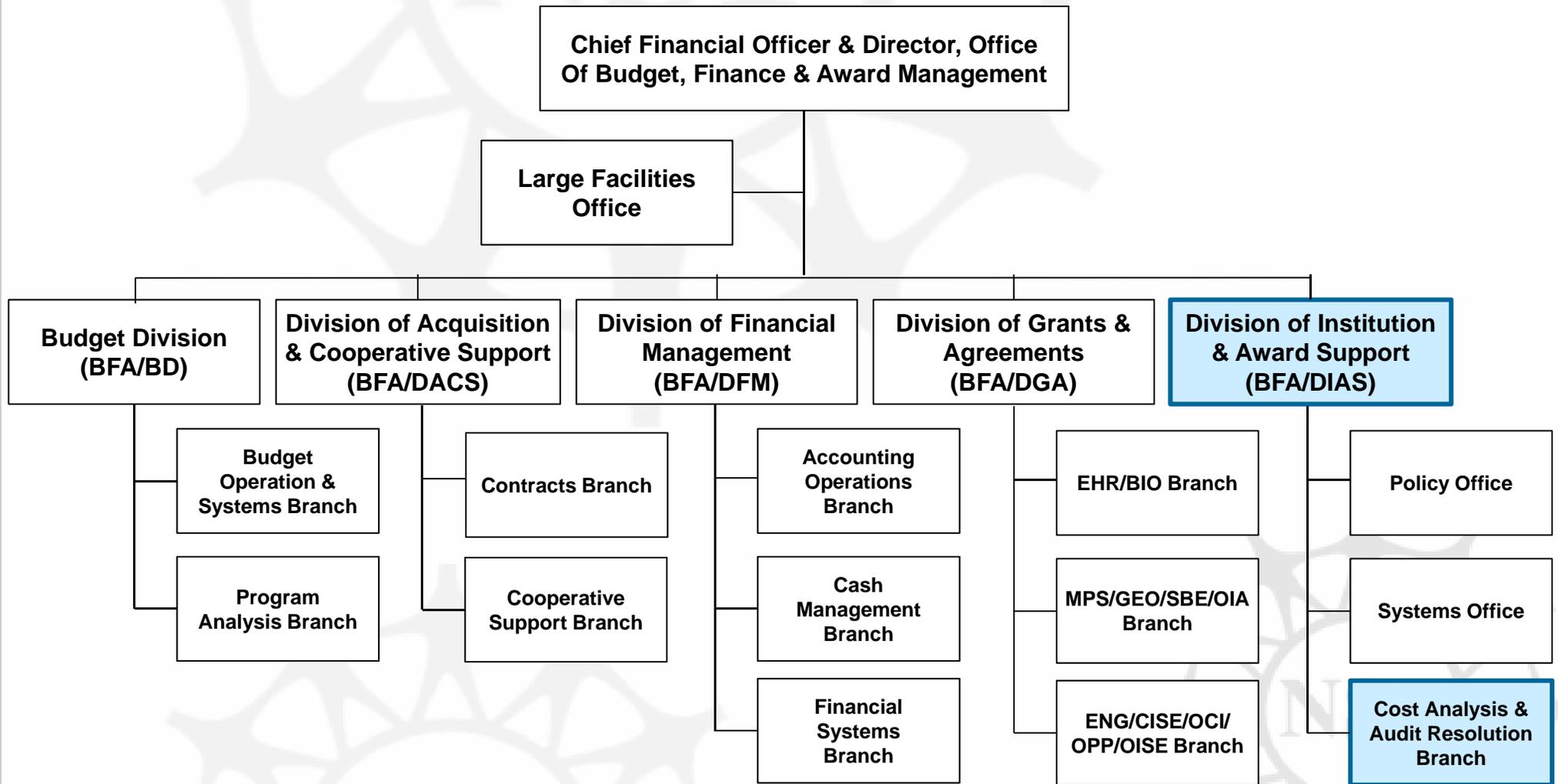
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Washington, DC

National Science Foundation



The Cost Analysis and Audit Resolution (CAAR) Branch is situated within the Office of Budget, Finance & Award Management (BFA)

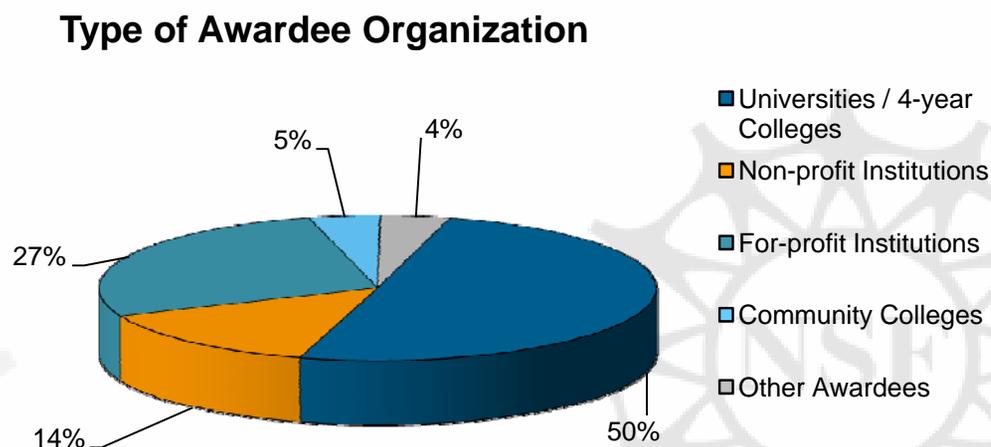
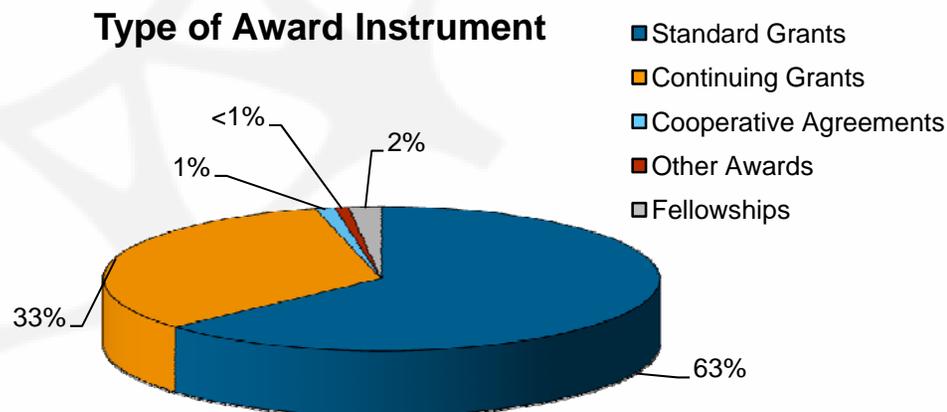


Discussion Points

- ▶ Overview of NSF's Award Portfolio and Risk-Based Monitoring Strategy
- ▶ Highlights of NSF's Annual Risk Assessment Process and Key Monitoring Approaches
- ▶ Description of Selected Advanced Monitoring Activities – Desk Reviews, Site Visits, and Virtual Visits
- ▶ Discussion of Some Common Concerns Identified During Advanced Monitoring

Spurred by increased funding to support research in science, engineering, and education, NSF's award portfolio has been increasing over the past decade

- ▶ \$27.6 billion in total award funding
- ▶ 43,517 active awards
 - Standard and continuing grants
 - Cooperative agreements
 - Graduate research fellowships
 - Other awards
- ▶ 2,266 awardees
 - Universities / 4-year colleges
 - Non-profit organizations
 - For-profit organizations
 - Community colleges
 - Other awardees

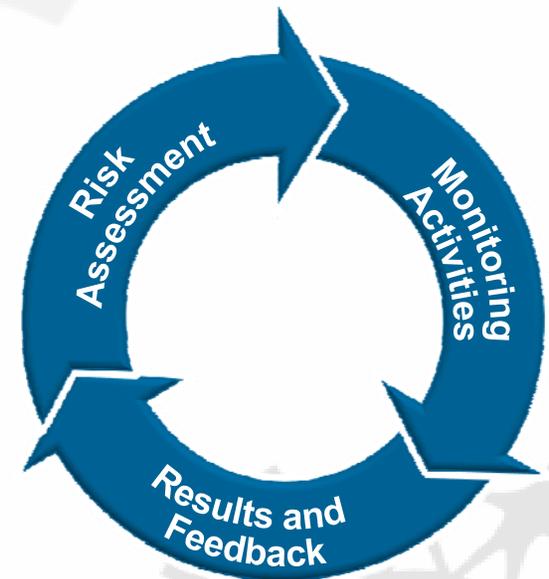


Award portfolio information as of June 30, 2012

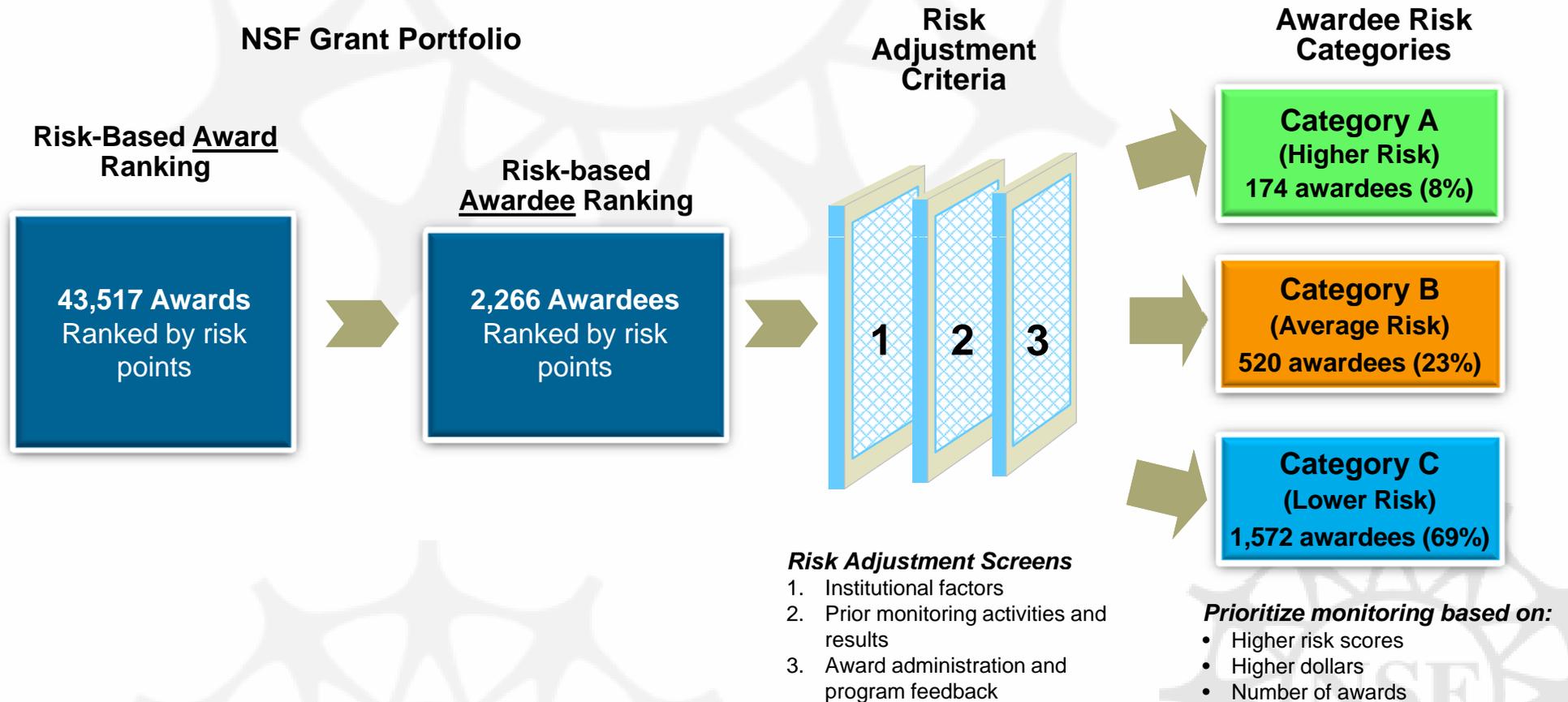
NSF developed a risk-based portfolio monitoring strategy that integrates its monitoring activities and focuses limited monitoring resources on awardees administering higher risk awards

NSF's portfolio monitoring strategy has three key components –

- ▶ **Annual Risk Assessment** enables NSF to focus limited advanced monitoring resources on awardees managing higher risk awards
- ▶ **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
- ▶ **Gathering Feedback and Incorporating 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 determine the monitoring priority for each awardee



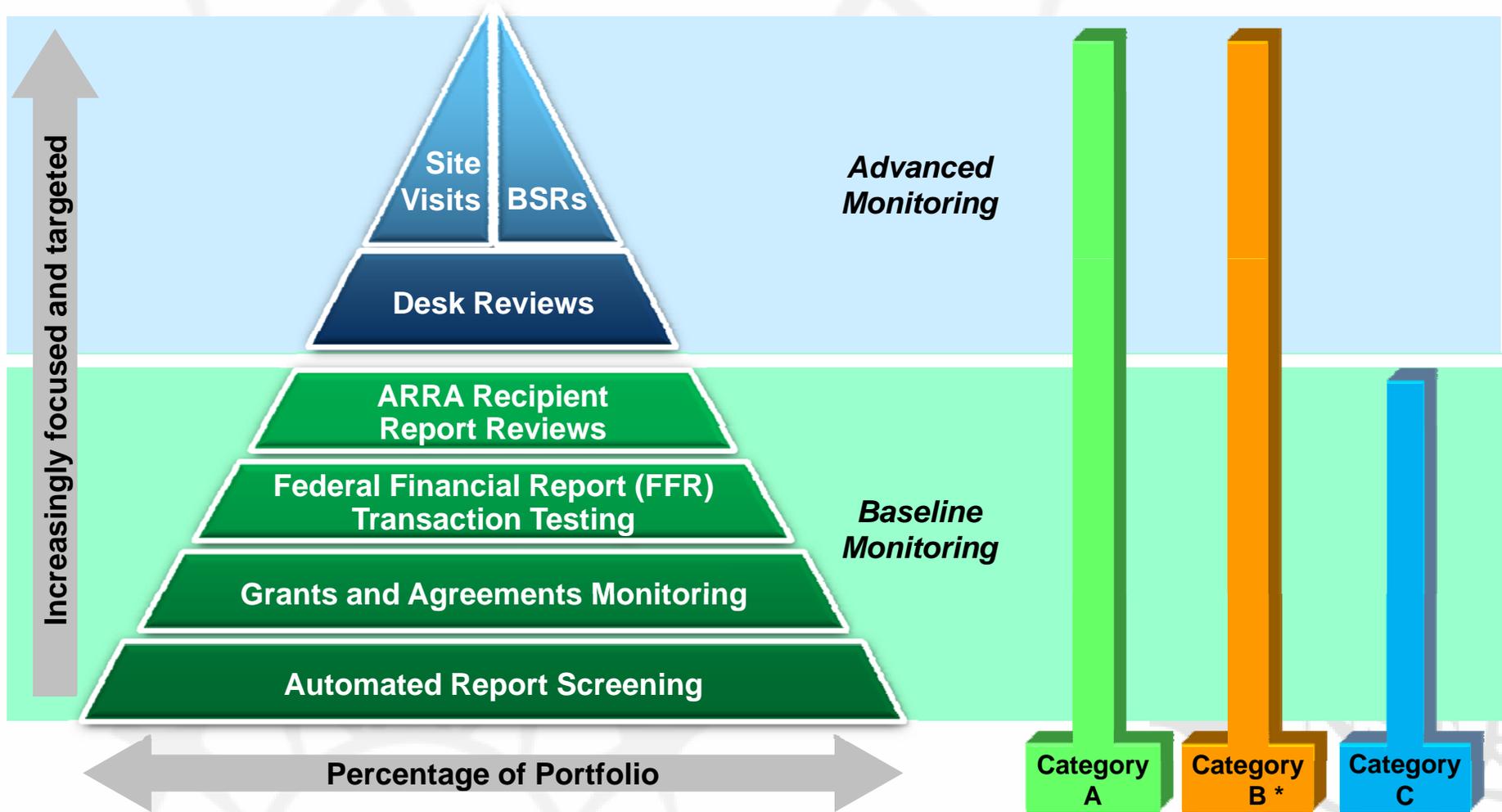
From Awards To Awardees



National Science Foundation

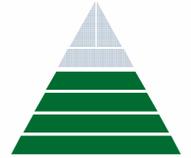
Award portfolio information as of June 30, 2012

NSF's comprehensive monitoring strategy enables it to calibrate risk mitigation activities to the risk of awardee non-compliance



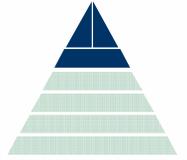
* Category B selected for advanced monitoring on resource-available basis

Baseline monitoring activities combined with day-to-day award administration with automated monitoring provide broad coverage of the entire award portfolio



- ▶ Baseline Monitoring activities are:
 - Designed to **identify exceptions and potential issues** that require immediate research, resolution, or further scrutiny through advanced monitoring
 - Focused on one or more **awards rather than the awardee** institution's grant management systems
 - **Largely routine or automated**
- ▶ Baseline Monitoring activities consist of:
 - **Automated financial report screening** to identify reporting issues that may need further scrutiny; these tests relate to cash-on-hand balances, interest income, program income, adjustments to closed awards, grants closeout and financial unobligated balances, and late FFR submissions
 - **Grants and Agreements Officer award administration** to provide insight into actual or potential compliance issues; these activities include changes of principal investigator, award transfers, award supplements, no-cost extensions, special payments, and significant budget realignments
 - **FFR transaction testing** to verify the reasonableness, allocability, and allowability of selected award expenditures
 - **ARRA quarterly recipient report reviews** through a multi-phase review process that augments automated screening of recipient reports with program officer sampling of selected descriptive fields

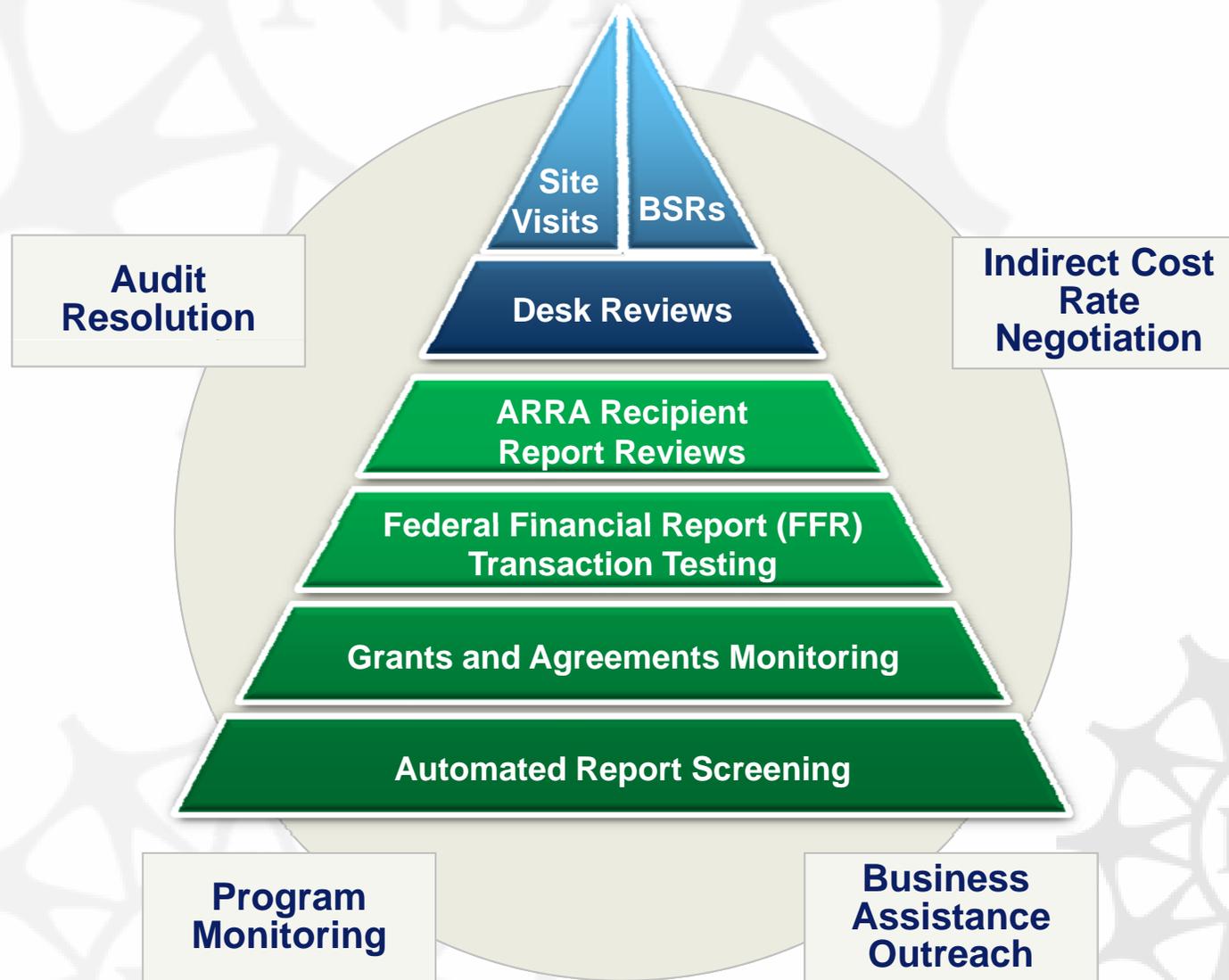
Advanced monitoring focuses on award administration practices of selected awardees more in need of business assistance



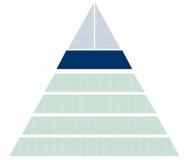
- ▶ Advanced Monitoring activities are:
 - Designed to **develop reasonable assurance** that awardee institutions possess adequate policies, processes, and systems to properly manage federal awards
 - Focused on **grant administration and accounting practices** rather than technical or programmatic achievement
 - Focus on financial and administrative **compliance with OMB guidance** found in the administrative regulations, cost principles, and audit requirements
 - Intended to provide **value-added business assistance** to NSF awardees (programmatic and technical assistance is provided by NSF's program directorates)
 - Typically standardized but **requires significant staff involvement**

- ▶ Advanced monitoring consists of:
 - **Desk reviews** - Assess general management environment, review selected accounting and financial management policies and procedures and obtain financial information submitted by awardees
 - **Site visits** - Conduct onsite review of selected higher risk award administration areas and follow up on desk review results as needed. In 2012, NSF began to pilot a virtual visit approach as an alternative to on-site visits
 - **Business System Reviews (BSR)** - Combine desk and onsite reviews of large facility business systems to determine whether the operation of those facilities meet NSF's expectations for business and administrative management

NSF's monitoring activities, combined with other grant-related activities, provide comprehensive coverage of the entire portfolio



Desk reviews enable NSF to develop reasonable assurance that awardees have the capability to manage NSF-funded grants in compliance with federal regulations



- ▶ Desk reviews enable NSF to gain an understanding of an institution's award administration practices and alert NSF to deficiencies. Desk reviews provide a ***foundation for the site visit's targeted review activities***
- ▶ NSF completes ***~120 desk reviews a year*** (739 to date)
- ▶ ***NSF oversees the desk review process*** by selecting awardees for desk reviews, authorizing review protocols, approving workpapers and summary reports prepared by a contractor. NSF works with awardees to resolve issues identified during the desk review process
- ▶ Analysts gather information from public sources, discussion calls, and awardee-provided documentation to assess the awardee's ***capacity to manage Federal funds***
- ▶ Desk reviews provide a ***cost-effective monitoring alternative*** to resource-intensive site visits
- ▶ A follow-up site visit may be scheduled for an awardee if the desk review demonstrates a need for additional business assistance

Core Functional Review Areas

General Management Survey

- Grants management roles and responsibilities
- Budgetary revisions and expenditure approvals
- Expenditure monitoring
- Cost transfers

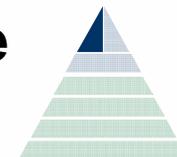
Accounting and Financial Management Review

- Accounting policies and procedures documentation
- OMB A-133 audit review
- Project accounting
- Identification and accounting for unallowable costs

Federal Financial Report Reconciliation

ARRA Accounting and Reporting Review

Site visits provide a detailed review of selected aspects of the institution's award management practices



- ▶ Site visits assess the extent to which an awardee's grant management systems enable efficient and effective performance of NSF awards and ensure compliance with federal regulations
- ▶ NSF completes ~**30 site visits a year** (218 to date)
- ▶ Reviewers assess whether the awardee's financial management system **accurately discloses the financial results** of NSF awards and if awardee systems maintain **effective control** over and accountability for all funds, property, and other assets
- ▶ Through site visits, NSF extends **business assistance** by offering award administration best practices and answering questions related to NSF expectations and federal award administration policies
- ▶ Awardees with **significant deficiencies may be scheduled for follow-up site visits**

Core Functional Review Areas

General Management Survey

Accounting & Financial Management Review

FFR Reconciliation

ARRA Accounting & Reporting Review

Targeted Review Areas

Time and Effort

Fringe Benefits

Travel

Consultants

Cost Sharing

Participant Support Costs

Indirect Costs

Procurement

Subawards & Subrecipient Monitoring

Property and Equipment

Program Income

General Management Survey

- ▶ **Grants Management Roles & Responsibilities** – BOD, Organization Chart, Written Policies and Procedures – role OSP, Departments – pre and post award responsibilities
- ▶ **Budgetary Revisions and Expenditures approvals** – AOR, negotiation of awards, delegation of authority – levels dollar thresholds, purchase approval, internal controls – segregation of duties – allowable cost review
- ▶ **Expenditure Monitoring** – project cost ledger/report – account code = award number - budget, amendments, expenditures, obligations, funds remaining, comparison of budgeted to actual amounts. Internal changes and approvals, Sponsor approval changes, updating system, documentation trail, denials, tracking of expenditures, cost overruns – system edits on funds remaining and new obligations, 2nd review.
- ▶ **Cost Transfers** – initiation, review and approval process, supporting documentation justification, timeliness, errors or corrections, internal controls

Accounting System and Financial Review

- ▶ **Project Cost Accounting system** – identify expenditures to activity – sponsored project, time & effort report, accounting manual – general ledger to project cost ledger.
- ▶ **Policies and Procedures** for: transactions, purchase orders, check requests, expense reimbursement, travel expenses, payroll, credit cards
- ▶ **Record Retention** and Documentation standard
- ▶ **Determining Allowability of Costs-** expressly unallowable (Cost Principles), allocable, reasonable and necessary standard – (who when how) consistent treatment of like costs
- ▶ **Financial Statements and A-133 reports** – findings, significant deficiencies, internal controls, compliance with regulations
- ▶ **Negotiated Indirect Cost Rate Agreement (NICRA)** rates, on-off campus, application system automation, where restricted

Federal Financial Report (FFR) Reconciliation and ARRA

- ▶ FFR preparation, review approval, and submission process – written policies and procedures – authorities individuals – procedures to minimize time between receipt and disbursement
- ▶ Cumulative net disbursements for reporting period represented to NSF via Fastlane = Awardee project cost ledger(s) for that award number
- ▶ Reconcile – explanation for differences – timing cash accrual, indirect application
- ▶ Process for ARRA awards - identification, segregation of funds, separate id # accounting system, recipient quarterly reporting, - policies and procedure

Targeted Review Modules

- ▶ **Time & Effort Reporting** – Written policies & procedures, time & attendance records or what activity working on, classes of employees, charges based on budget and after the fact verification of actual, signature and suitable means of verification, total activity compensated for 100%, time frame for completion.
- ▶ **Fringe Benefits** – NICRA – rates by class of employee, charging of actual fringe benefit costs by individual employee, provided law established policy (employee handbook) as to which benefits are provided, paid time off – included in FB rate and accrued, charged as direct salary when taken
- ▶ **Travel** – written policy - benefit to award (allocable), approval & authorization, expense reporting, advances, per diem or actual, reasonableness, travel status or local expenses, US Flag Air-carrier policy, Premium airfare, unallowable entertainment
- ▶ **Consultants** – Technical support not S/C – rate of pay, determination reasonableness of rate of pay, scope of work, period of performance, deliverables, selection and award process, justification for sole source selection, managing COI, related parties, prohibited parties

Targeted Review Areas

- ▶ **Cost Sharing** – Not required / possibly prohibited – should go away. If required, verifiable, documentation standard same as direct costs, necessary & reasonable and allocable – award objectives, valuation, third part contributions, time phase of award and level of cost share provided.
- ▶ **Participant Support Costs** – no re-budgeting w/out NSF PO approval = scope of project. Separate tracking of participant support costs by subaccount code, documentation of participation, no IDC applied
- ▶ **Indirect Costs** – cognizant federal agency, NICRA or award specific rate, calculation and submission of proposals, allocation or application base, exclusions, consistent treatment of like costs, cost policy statement, direct charging of indirect type costs, limitations on recovery of indirect costs
- ▶ **Procurement** – written policies & procedures - vendor vs. subaward determination, segregation of duties (selection, purchasing, receiving, paying for it), approval authorities, documenting process > small purchase threshold (\$150K), awarding, cost reasonableness and realism, cost price analysis, COI written standards of conduct, sole source justification, flow down provisions

Targeted Review Areas

- ▶ **Subrecipient Monitoring** – pre-award review and documentation – reasonableness and realism of proposed costs, indirect cost rate. Sub-awardee responsible organization – acceptable project cost accounting system & financial viability. Prohibited parties – OMB A-133 audit reports, payment and reporting (technical & financial) risk assessment, evidence of monitoring activities, site visits or desk reviews, resolution of disputes and termination
- ▶ **Equipment** – Scientific purpose or general, federal funded and direct charging, indirect costs of depreciation or use allowance, awardee policies and procedures, record keeping, title vesting, charging fees for usage, property management and inventory (two years), physical “touch” sample.
- ▶ **Program Income** – written policies and procedures defining and treatment of. “I know it’s out there!” – system to record when generated, add to funds available for research, reporting to NSF FFR, expending same as other direct costs during period of award.

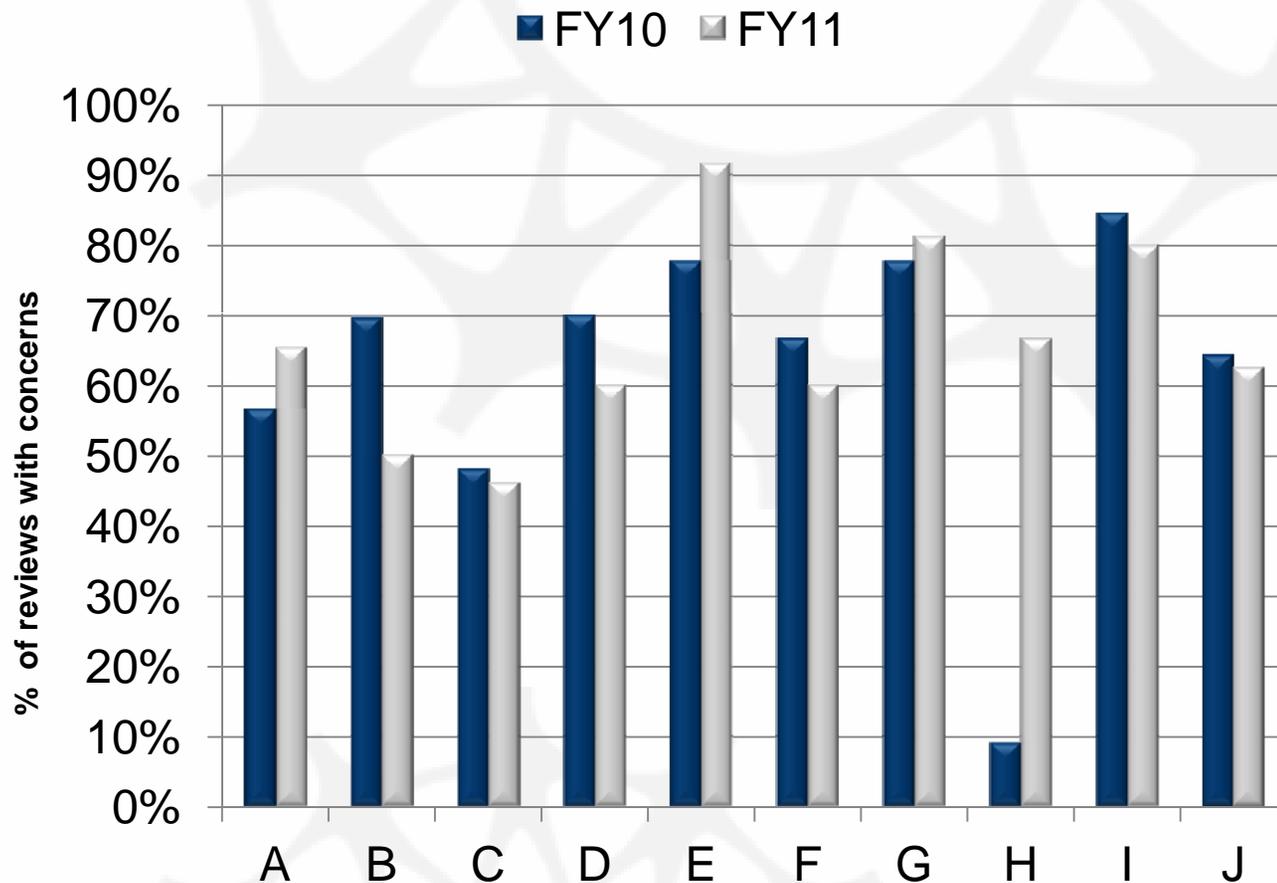
In FY 2012, NSF began to pilot virtual visits as an alternative to on-site monitoring visits

- ▶ NSF selected 4 awardees to pilot virtual visits (University of Hawaii – Hilo, Arctic Research Consortium of the United States, University of Nebraska – Lincoln, North Dakota State University)
- ▶ “Virtual Sessions” were held using WebEx’s integrated audio, video, chat tools, and desktop sharing capabilities; documents were uploaded by NSF or the awardee on a SharePoint site for review
- ▶ Virtual site visits will typically occur through a series of 60-120 minute sessions held over the course of a week
- ▶ Virtual visits are based upon the proven and tested AMBAP site visit approach; four core review areas and selected targeted review areas with the specific questions on review points adapted to the virtual visit approach

Virtual visits are based on the proven AMBAP site visit methodology but have some distinct differences

Site Visits	Virtual Site Visits
<ul style="list-style-type: none"> ▶ In-depth review of award administration practices in 3 - 4 Core Review Areas and 4 - 6 Targeted Review Areas 	<ul style="list-style-type: none"> ▶ In-depth review of award administration practices in 3 - 4 Core Review Areas and 4 - 6 Targeted Review Areas adapted for virtual visit methodology
<ul style="list-style-type: none"> ▶ 3 - 4 days of intense meetings 	<ul style="list-style-type: none"> ▶ Several virtual sessions scheduled over a week
<ul style="list-style-type: none"> ▶ Interact in-person with awardees to gather information about grants management policies and procedures 	<ul style="list-style-type: none"> ▶ Use virtual collaboration tools to simulate real-time “face-to-face” interactions with awardees
<ul style="list-style-type: none"> ▶ Limited access to subject matter experts (SMEs) during the visit may require follow-up after the site visit team returns to NSF 	<ul style="list-style-type: none"> ▶ Greater flexibility in scheduling individual sessions enables the awardee and CAAR team to consult with experts, research issues, and follow up during a subsequent session
<ul style="list-style-type: none"> ▶ Staff travel is resource intensive and both weather and schedule dependent 	<ul style="list-style-type: none"> ▶ Greater flexibility in scheduling ▶ Virtual sessions enable greater participation for staff from multiple sites
<ul style="list-style-type: none"> ▶ Budget and staffing constraints may limit the number of reviews scheduled 	<ul style="list-style-type: none"> ▶ Fewer on-site visits reduce travel fatigue and increase staff utilization ▶ Reduced travel costs and staff travel time optimizes limited monitoring resources

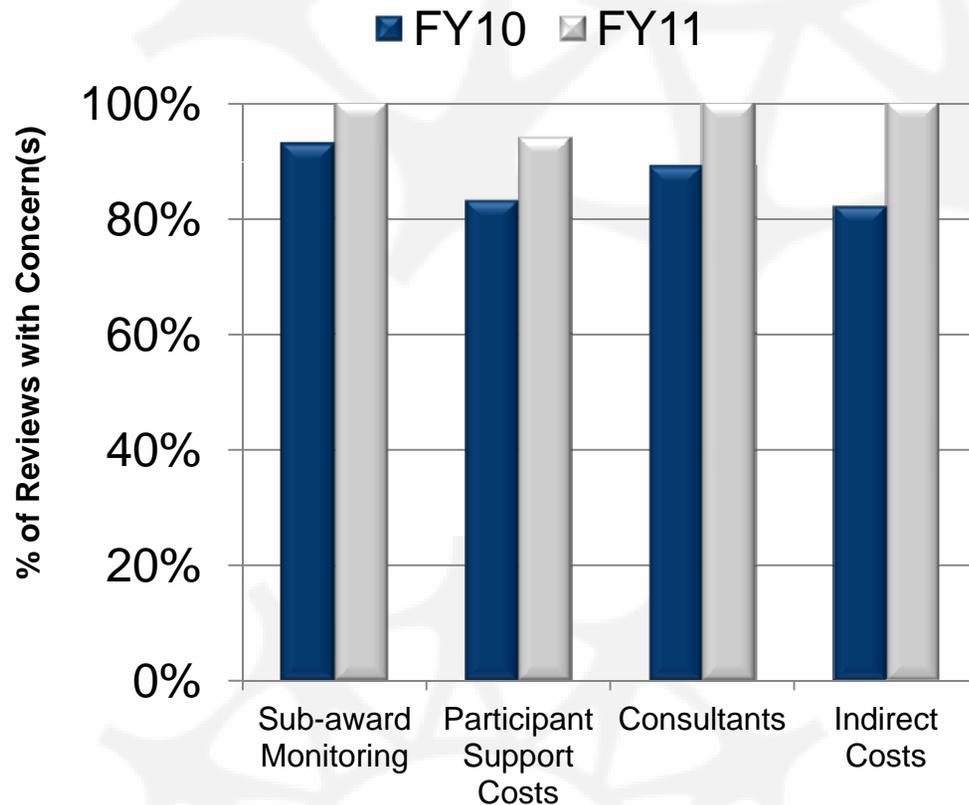
A lack of documented policies and procedures is a common theme across almost all review areas



Concerns Explained	
▶	A – Accounting and Financial System
▶	B – FFR Reconciliation
▶	C – Time and Effort Reports for Personnel
▶	D – Travel
▶	E – Consultants
▶	F – Cost Sharing
▶	G – Participant Cost Sharing
▶	H – Indirect Costs
▶	I – Subawards and Subrecipient Monitoring
▶	J – Property and Equipment

$\frac{\text{\# of Documentation Issues}}{\text{\# of Times Area Reviewed}}$

Site visit reports noted a high frequency of concerns in some of the target review areas

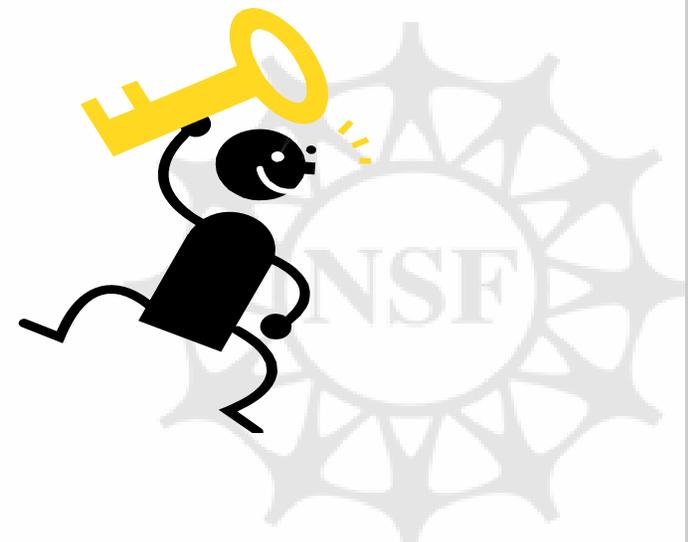


Concerns Explained	
▶	Sub-recipient and Sub-award Monitoring – 59 total concerns <ul style="list-style-type: none"> – Lack of written policies and procedures (16) – Awardee has not passed through required federal award administration regulations to its subawardee(s) (9) – Awardee failed to perform certain procedures before making a substantial subaward to a sub-recipient (8) – Lack of documentation (7) – Miscellaneous (19)
▶	Participant Support Costs – 36 total concerns <ul style="list-style-type: none"> – Lack of written policies and procedures (13) – Participant support costs are not tracked in separate general ledger accounts, sub-accounts, sub-task, or sub-ledgers (5) – Participant support costs charged to NSF awards included costs related to the awardee's employees (5) – Lack of documentation (4) – Miscellaneous (2)
▶	Consultants – 19 total concerns <ul style="list-style-type: none"> – Lack of written policies and procedures (11) – Lack of documentation (6) – Awardee did not clearly delineate between consultants, sub-awardees, and vendors (2)
▶	Indirect Costs – 10 total concerns <ul style="list-style-type: none"> – Lack of written policies and procedures (6) – Awardee failing to follow policies and procedures (1) – Lack of documentation (1) – Awardees do not have a current indirect cost rate established with NSF or another Federal agency (2)

of concerns
of target area reviews

Keys to Success for Awardees

- ▶ Focus on the objectives of the project/program
- ▶ Understand the requirements and expectations (award letter, award terms and conditions, OMB Circulars)
- ▶ Develop good accounting practices – accumulation and segregation of costs
- ▶ Document policies and procedures in writing
- ▶ Document approvals and conversations between the awardee and NSF
- ▶ ***Ask Early and Ask Often!***



Where can I get information on-line?

- ▶ Division of Institution & Award Support:
<http://www.nsf.gov/bfa/dias/index.jsp>
- ▶ Cost Analysis & Audit Resolution Branch:
<http://www.nsf.gov/bfa/dias/caar/index.jsp>
- ▶ Policy Office:
<http://www.nsf.gov/bfa/dias/policy/index.jsp>
- ▶ General:
<http://www.nsf.gov>



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Thank You!!



NSF continues to update its post-award monitoring approach to meet evolving oversight requirements and expectations

Evolution of NSF Post-Award Monitoring Processes

