



**National Science Foundation
National Science Board Audit and
Oversight Committee
Fiscal Year 2018 Audit Results**



**KEARNEY &
COMPANY**

November 28, 2018

Presented by David Zavada (Senior Partner)

- Scope and Results
- Looking Forward
- Antarctica Site Visit
- Engagement Team
- Appendix A: Levels of internal control findings
- Appendix B: Current Year Notifications of Findings and Recommendations (NFR)

Engagement Scope of Work:

- Conducted an audit of the National Science Foundation's (NSF) financial statements and Government-wide Financial Report System (GFRS) Closing Package for the fiscal year (FY) ended September 30, 2018
- Assessed NSF's information technology (IT) control activities based on the Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM) with IT controls related to the generation of financial statements
- Performed review of IT security programs through a FISMA performance audit over NSF's information systems:
 - Prepared responses to the *Department of Homeland Security's (DHS) FY 2018 Inspector General (IG) [Federal Information Security Management Act of 2002] FISMA Reporting Metrics*, which were utilized to enter metrics for CyberScope reporting

Results of Work:

- Independent Auditor's Report
 - Unmodified opinion on the NSF's FY 2018 financial statements
- Independent Auditor's Report on Internal Control Over Financial Reporting
 - No material weaknesses
 - No significant deficiencies
- Report on Compliance and Other Matters
 - No instances of noncompliance
- Report on Closing Package
 - Unmodified opinion on the NSF's Year-End Closing Package (GFRS)
 - No material weaknesses
 - No significant deficiencies.

Results of Work (cont'd):

- Report on NSF's Information Security Program for FY 2018 (FISMA report):
 - Prepared responses to *DHS's FY 2018 IG FISMA Reporting Metrics*, which were utilized to enter metrics for CyberScope reporting
 - Overall “Effective” self-assessment rating.

- Plan and implement corrective actions for Management Letter comments so they do not become future significant deficiencies.
- Schedule entrance conference and coordinate planning procedures for performance audit over NSF's FY 2018 assessment of the Improper Payment Elimination and Recovery Act (IPERA) (estimated to start December 2018).
- Begin preparation for the upcoming DATA Act performance audit (estimated to start March 2019).

- NSF OIG traveling to McMurdo and South Pole Stations as part of the FY 2019 financial statement and FISMA audits. Objectives include:
 - Gain understanding of IT work and infrastructure at McMurdo and South Pole stations
 - United States Antarctic Program (USAP) General Support System (GSS), Enterprise Business System (EBS), and Enterprise Operations System (EOS).
 - MedTech, Pipeline, Terascan.
 - Evaluate network monitoring and incident response.
 - Gain an understanding of financial processes and control environment structure, including those related to real property, capital equipment, and cooperative agreements (including large facility projects)
 - Conduct financial testing related to NSF-owned property (building/structures and capital equipment)
 - Follow-up on previous OIG audit work

Key members of the FY 2018 Engagement Team:

- Partners/Principals
 - David Zavada, CPA – Engagement Partner (Overall Responsibility)
 - Phil Moore, CPA, CISA, PMP – IT Partner
 - William Kubistal, CPA, CISA – Quality Control (QC) Partner
 - Sarah Allen, CPA, CGFM, CISA – Financial Audit Principal
- Team Leads
 - Marcos Vigil – Financial Audit Lead
 - Umar Aziz, CISA, PMP – IT Audit Lead
- Audit Manager
 - Nupur Moondra – Financial Audit Manager

Questions?

Results of Work:

- Levels of internal control findings
 - **Material weakness** – is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
 - **Significant deficiency** – is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.
 - **Deficiency** (Management Letter comment) – findings and recommendations for improvements in internal control, which were identified during the audit, but were not required to be included in the auditor's report on internal control over financial reporting or report on compliance and other matters.

NFRs Issued (Financial):

- NFR #1 – Insufficient Controls over Recording Internal Property Transactions (Modified Reissue)
- NFR #2 – Inaccurate and Untimely Recording of External Property Transactions (Modified Reissue)
- NFR #3 – Monitoring and Oversight over Undelivered Orders (Modified Reissue)
- NFR #4 – Insufficient Controls over Payroll Personnel Actions and Time & Attendance (Modified Reissue)

NFRs Issued (IT FISCAM):

- NFR #1 – NSF Account Recertification Weakness (New)
- NFR #2 – OS and DB New User Provisioning (New)

NFRs Issued (IT FISMA):

- NFR #1 – NSF Account Recertification Weakness (New)
- NFR #2 – Encrypting Data at Rest Weakness (New)