



National Science Foundation
National Science Board Committee
on Oversight
Fiscal Year 2019 Audit Plan



**KEARNEY &
COMPANY**

May 15, 2019

Presented by David Zavada (Engagement Partner) and Phil Moore (IT Partner)

- Kearney & Company, P.C. (Kearney) – Historical Audit Results and Audit History at NSF
- NSF Projects
- Kearney Audit Best Practices
- FY 2019 Engagement Team
- FY 2019 Engagement Scope
- Audit Plan and Timeline
- Communications
- Questions

- FY 2016 Financial Statement Audit – Kearney reported an Unmodified Opinion of NSF’s financial statements and Closing Package financial statements. Report on Internal Controls over Financial Reporting identified one Significant Deficiency over Information Technology (IT). No instances of non-compliance with law and regulations.
 - Note: First year audit, protested by incumbent auditor which resulted in delays. Collaboration between NSF management, OIG and Kearney was critical in the successful completion of the audit.
 - Note: Long-standing significant deficiency for cooperative agreement contingencies downgraded to control deficiency. Long-standing USAP IT finding (originated 2006) was closed as well.
- FY 2017 Financial Statement Audit – Kearney reported an Unmodified Opinion on NSF’s financial statements and Closing Package financial statements. During FY 2017, NSF took appropriate corrective actions and resolved certain elements of the finding to downgrade the significant deficiency to a control deficiency (as a whole). No instances of non-compliance with laws and regulations.
 - Note: NSF implemented updates in their FY 2017 grant accrual methodology (based on Kearney’s prior year recommendations) that resulted in improved estimation techniques and led to the closure of the finding.
- FY 2018 Financial Statement Audit – Kearney reported an Unmodified Opinion on NSF’s financial statements and Closing Package financial statements. No material weaknesses or significant deficiencies noted in the Report on Internal Controls over Financial Reporting, and no instances of non-compliance with laws and regulations.
 - Note: Federal government shut-down impacted and delayed final reporting and wrap-up audit tasks (i.e., Management Letter and Governance Letter).
 - Note: Kearney Team was on the ice in Antarctica (November 2018), with NSF key personnel and OIG (Completed financial and IT audit procedures to gain understanding of the unique control environment and worked performed by USAP Program. Conducted Outbrief presentation over preliminary observations on April 18, 2019. Final results to be evaluated and summarized as part of our FY 2019 financial statement audit).

- Kearney will be able to provide several synergies and efficiencies across all of the NSF engagements, as our core team is involved in the support of the following NSF engagements:
 - FY 2019 NSF Financial Statement Audit
 - FY 2019 NSF Federal Information Security Modernization Act of 2014 (FISMA) Performance Audit
 - FY 2019 Digital Accountability and Transparency Act (DATA) Act
 - Example – Plan to Leverage FY 2019 financial and IT control testing during financial statement audit over systems (e.g., Awards) that are used as part of NSF’s FY 2019 Quarter 1 DATA Act submission
 - FY 2018 NSF Improper Payments Elimination and Recovery Act (IPERA) Audit
 - Example – Leveraged FY 2018 financial statement audit expense and disbursement testing performed over several significant accounts that translate to NSF’s IPERA program and activities identified as part of its risk assessment (Grants and Cooperative Agreements, Contracts, Payments to Employees, and Charge Cards)

- During the course of NSF audits (starting FY 2016), Kearney developed and implemented best audit practices that have led to the smooth and successful completion of our financial audits:
 - Kearney Audit Team Continuity (retention of institutional knowledge over NSF's operations)
 - Development of audit finding protocols (e.g., Exception Logs, Notifications of Findings and Recommendations [NFRs]) to gain NSF management's concurrence and responsiveness of our audit approach
 - Continuous and on-going communication protocols (e.g., Provided-by-Client List)
 - Access to NSF financial systems (e.g., iTRAK, Awards, eJacket) in read-only, to perform audit testing and reduce audit burden on NSF personnel over sample documentation requests
 - Early communication and coordination of new requirements and technology/control changes (e.g., SFFAS 47 – Reporting Entity, A-123 internal control updates, robotics)

Key members of the fiscal year (FY) 2019 Engagement Team:

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

Engagement Scope of Work:

- Conduct an audit of the NSF's comparative financial statements for the FY ending September 30, 2018 and 2019.
- Coordinate the assessment of NSF's 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
- Report on NSF's internal control over financial reporting
- Report on NSF's compliance with applicable provisions of laws, regulations, contract, and grant agreements
- Conduct a performance audit of NSF's information security program in accordance with FISMA
- Prepare responses to the *Department of Homeland Security's (DHS) FY 2019 Inspector General (IG) FISMA Reporting Metrics*, which will be utilized for CyberScope reporting
- Conduct a performance audit of NSF's compliance with DATA Act requirements, in accordance with the CIGIE Inspector General's Guide (February 2019)

During the FY 2019 audit, additional audit processes will be performed due to contract and/or newly implemented financial accounting standards (effective FY 2019) or new/recently implemented changes by NSF management:

- Antarctica Site Visit – Finalize post-Antarctica site visit testing procedures and follow-up, and report on observations and results
- Internal Controls (OMB Circular A-123) – Perform additional inquiries over NSF updates to its internal control review that focuses on a risk-based approach (Enterprise Risk Management) tailoring automatic and analytic techniques (due to the new OMB Circular A-123, *Appendix A*)
- Robotic Process Automation (RPA) – Perform additional inquiries over NSF’s implementation of automated processes within NSF’s operation and financial processes
- FASAB SFFAS 49 (Public-Private Partnerships [P3]) – Perform inquiries over NSF’s assessment of P3s, and determine if NSF plans to disclose any P3 activities within its financial statements.

- A. Planning Phase (Financial Audit and DATA Act Audit):
April 2019 – June 2019
- B. Internal Control and Compliance Testing Phase (Financial Audit and DATA Act Audit):
May 2019 – August 2019
- C. Substantive Testing Phase – Account/Dollar Balance Tests (Financial Audit and DATA Act Audit):
July 2019 – October 2019
- D. Reporting Phase – Issue Reports over Audit Results (Financial Audit and DATA Act Audit):
October 2019 – December 2019
- E. FISMA/IT Testing
May 2019 – July 2019

- Communication on a continuous basis with both NSF management and the Office of Inspector General (OIG) during all phases of the audit to ensure an effective audit and timely completion
- Hold status meetings periodically with NSF management and OIG to discuss:
 - Potential findings
 - Status of audit and Provided by Client (PBC) List requests
 - Upcoming contractual deliverables
- Participate in early and frequent discussions over issues noted to reach concurrence over facts before issuance of findings through NFR to prevent surprises during final report
- Communicate periodically with NSB Committee on Oversight.

Questions?