

## Message from the Assistant Inspector General for Audit

I am pleased to provide the National Science Foundation (NSF) Office of Inspector General (OIG) Audit Work Plan for fiscal year (FY) 2015. This Plan describes the five major areas for audits, inspections, and reviews in FY 2015: 1) Relocation of NSF Headquarters; 2) Health and Safety in the U.S. Antarctic Program; 3) Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds; 4) Assessment of Payroll Certification Projects; and 5) Financial and/or Program Accountability. For the Plan, we solicited input from a variety of sources, including Congress, the National Science Board, NSF management, and OIG staff.

To identify higher risk awardees to audit, we perform data analytics on a variety of NSF and external databases and sources. After we select awardees, we again use data analytics to identify areas at high risk of misuse of NSF funds. Data analytics increases the effectiveness and efficiency of audits, because it enables examination of 100 percent of transactions and reveals anomalies that indicate possible unallowable or unreasonable expenditures, or funds spent for awards other than those for which they were provided.

In addition, we have done extensive outreach and have increased communication to the research community, Congressional stakeholders, NSF, and others to give a clear understanding of our work. It is noteworthy that a number of institutions under audit have expressed their intention to develop data analytics units in their sponsored research offices to help proactively identify high risk activity. Finally, our outreach efforts help support institutions that have begun to use data analytics to gain better insight into their use of federal research funds.

To assess Financial and/or Program Accountability, we will monitor the audits of NSF's FYs 2014 and 2015 financial statements, and the independent evaluations of NSF's information security program. These audits and evaluations, which are required by law, are performed by an independent public accounting firm, whose services OIG has procured. We will also audit NSF's compliance with the Improper Payment Elimination and Recovery Act of 2010, for the period October 1, 2013, through September 30, 2014. In addition, we plan to conduct internal performance audits or inspections of four NSF programs and operations: management fees, travel cards, conference spending, and cloud computing. Our FY 2015 Plan also includes 19 new incurred cost audits of NSF awardees, and 17 carryover audits of awardees that received ARRA funds from NSF. Also, we will continue to review selected single audits to determine if they comply with the Single Audit Act, and to conduct quality control reviews of selected single audits.

Although this Work Plan provides a framework for the audits, inspections, and reviews we intend to undertake in FY 2015, it is subject to change should unanticipated higher risk issues develop in the course of the year. We need to be flexible in order to meet such other priorities. We look forward to continuing to work with NSF management and Congress in meeting our Work Plan goals.



Dr. Brett M. Baker  
Assistant Inspector General for Audit



**Annual Office of Audit  
Work Plan**

**FY 2015**



**National Science Foundation  
Office of Inspector General  
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## **AUTHORIZATION**

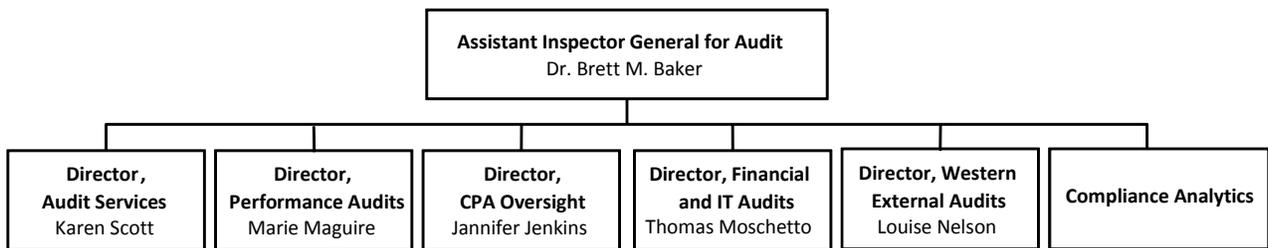
The Inspector General Act, as amended in 1988, authorizes an Office of Inspector General (OIG) for the National Science Foundation (NSF). The OIG is independent and reports directly to Congress and the National Science Board (NSB). By statute, the OIG conducts and supervises independent audits, inspections, evaluations, and investigations relating to agency programs and operations and recommends policies that promote effectiveness and efficiency and prevent and detect fraud and abuse in such programs and operations.

## **OIG MISSION AND FUNCTION**

Consistent with its statutory mandate and operational mission, the OIG performs an oversight role and does not engage in management activities or program operations. Its work is divided into three functional areas: 1) audits, which assess the adequacy of business systems and processes, determine compliance with federal requirements, and identify ways to improve the effectiveness and efficiency of operations; 2) investigations, which address allegations of serious wrongdoing, such as unauthorized use or theft of federal funds and property; and 3) legal, legislative, and outreach, which provides legal advice, oversees communications between OIG and external stakeholders, and reports on selected NSF and NSB issues.

## **ORGANIZATION AND FUNCTION OF THE OFFICE OF AUDIT**

The Office of Audit (OA) has an experienced audit and administrative staff led by the Assistant Inspector General for Audit, as shown in the chart below:



Although the audit teams have primary areas of responsibilities, each may lead or participate in work outside of its functional area to provide greater flexibility within the Office.

## **TYPES OF AUDIT PRODUCTS**

OA is responsible for the required annual audits of NSF's financial statements, which include reviewing the agency's controls over financial reporting and the required annual review of its information system security. It is also required to report on agency compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The Office also conducts internal performance audits of agency operations and programs, and financial, compliance, and performance audits of NSF-funded awards. Many audits are performed by internal OA auditors; but the Office also contracts with independent public accounting (IPA) firms and other expert

contractors to supplement its resources. These contractors also provide additional expertise and resources necessary to accomplish OA's varied and complex audit projects.

OIG audits, whether conducted in-house, by IPAs, or by Government auditors under contract with OIG, are performed in accordance with the Comptroller General's *Government Auditing Standards*.<sup>1</sup> These standards are designed to ensure the integrity and competency of the audit process and the quality of the audit report. For similar goals, inspections are performed in accordance with the Council of Inspectors General's *Quality Standards for Inspection and Evaluation*.<sup>2</sup> Unlike audits, inspections do not require testing sufficient to opine on internal controls or compliance with laws and regulations. Finally, OA may perform non-audit services unrelated to audit work, or routine activities related to on-going or completed audits but outside their scope, that do not compromise OA's independence to conduct audits in accordance with *Government Auditing Standards*.

## **SUMMARY OF FY 2015 AUDIT WORK**

The table on page 4 summarizes the work that OA plans to perform in FY 2015. It should be noted, however, that the planned work is subject to change if other high priority issues arise during the year, as OA needs to be flexible to meet new priorities. The projects listed in the table are described in further detail later in this Plan.

The Plan has five areas of focus:

- I. Relocation of NSF headquarters
- II. Health and Safety in the U.S. Antarctic Program
- III. Awardees' Management of American Recovery and Reinvestment Act Funds
- IV. Assessment of Payroll Certification Pilots
- V. Financial and/or Program Accountability

For the first area, Relocation of NSF Headquarters, we anticipate periodic reports on NSF's relocation progress until the move from Arlington, Virginia, to Alexandria, Virginia, which is scheduled to occur in FY 2017. We issued our first memorandum on relocation (OIG Report No. 14-3-003) on September 8, 2014. In FY 2015, OIG will continue to monitor NSF's oversight of its relocation and issue additional memoranda, as needed.

Regarding the second area, Health and Safety in the U.S. Antarctic Program (USAP), OIG's 2013 *Oversight Plan for NSF's U.S. Antarctic Program* (USAP) recommended assessing the effectiveness of NSF's oversight of USAP health and safety. In FY 2014, OIG initiated an audit on this issue; and during FY 2015, OIG will perform fieldwork on site in Antarctica, and issue a report.

The third area, Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds, includes continuing audits of ARRA-funded projects and institutions. One audit focuses

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<sup>1</sup> *Government Auditing Standards* (2011).

<sup>2</sup> *Quality Standards for Inspection and Evaluation* (2012).

on the construction of the R/V *Sikuliaq*, a research vessel that received \$148 million of ARRA funds. The remaining projects are incurred cost and/or accounting system audits of institutions that NSF provided with ARRA funds.

The fourth area, Assessment of Payroll Certification Pilots, pertains to audits of pilot payroll certification projects at four universities by NSF OIG and Health and Human Services (HHS) OIG. NSF OIG has the lead for two audits and HHS OIG has the lead for two others. The audits, which will be issued in FY 2015, are assessing whether the payroll certification methods used by the universities have adequate controls to ensure that 1) only allowable costs are charged to NSF awards; and 2) the data used to support labor costs are secure.

The fifth area, Financial and/or Program Accountability, is divided into two sections: Audits, inspections, and reviews that are mandatory, and those that are discretionary. Mandatory projects, which are required by law, include the Financial Statement Audit and the Federal Information Security Management Act (FISMA) evaluation. In FY 2015, mandatory projects also include a review of NSF's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). Discretionary work includes audits, inspections, and reviews of NSF programs and operations, and financial/program audits of NSF awardees. In FY 2015 we plan four audits or inspections pertaining to NSF programs and operations. These four projects are: (1) Management Fees; (2) Travel Cards; (3) Conference Spending; and (4) Cloud Computing. Finally, within discretionary work, OA will determine auditors' compliance with the Single Audit Act and OMB requirements, and assess the adequacy of selected single audits.

## FY 2015 Audit Work Plan

Project	Objectives
<b>I. Relocation of NSF Headquarters</b>	<ol style="list-style-type: none"> <li>1. Determine the effectiveness of NSF's controls to track the use and status of the move-in allowance.</li> <li>2. Determine the effectiveness of NSF's controls for adhering to NSF-required milestones.</li> <li>3. Determine the impact of the building design.</li> <li>4. Determine the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy.</li> </ol>
<b>II. Health and Safety in the U.S. Antarctic Program (USAP)</b>	Assess the effectiveness of NSF's oversight and the Antarctic support contractor's performance to ensure the overall health and safety of USAP participants.
<b>III. Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds</b>	
<i>R/V Sikuliaq</i>	Determine the allowability of awardee expenditures, as well as compliance, with ARRA, other federal requirements, and award terms and conditions.
Incurring Cost or Accounting System Audits of 16 Institutions with ARRA funds	Various (see p. 7.)
<b>IV. Assessment of Payroll Certification Pilots</b>	Determine whether the payroll certification methods used by four universities have adequate controls to ensure only allowable costs are charged to NSF awards and that the labor data are secure.
<b>V. Financial and/or Program Accountability</b>	
<b>A. Mandatory Audits and Reviews</b>	
FYs 2014 and 2015 Financial Statement Audits	Express an opinion on NSF's financial statements, and report on NSF's internal controls over financial reporting and compliance with applicable laws and regulations that could have a direct and material effect on the financial statements.
FYs 2014 and 2015 FISMA Evaluations	Determine the effectiveness of NSF's information security program and practices.
NSF's Compliance with IPERA	<ol style="list-style-type: none"> <li>1. Determine if NSF is in compliance with IPERA.</li> <li>2. Evaluate the accuracy and completeness of NSF's improper payment reporting in its FY 2014 Annual Financial Report (AFR).</li> <li>3. Evaluate the agency's performance in reducing and recapturing improper payments.</li> </ol>
<b>B. Discretionary Audits, Inspections, and Reviews</b>	
<b>1. <u>NSF Programs and Operations</u></b>	
Management Fees – Inspection	<ol style="list-style-type: none"> <li>1. Review federal and NSF criteria for management fees.</li> <li>2. Benchmark the use of management fees at other agencies.</li> <li>3. Determine, from a review of selected awards, how NSF awarded and managed management fees, and how they were expended.</li> </ol>
Travel Cards	Determine the adequacy of NSF's controls over travel cards and identify possible improper charges.
Conference Spending	<ol style="list-style-type: none"> <li>1. Determine if NSF's conference spending and related reporting is compliant with NSF and OMB conference policies.</li> <li>2. Determine if opportunities exist to reduce costs of conferences.</li> </ol>
Cloud Computing - Inspection	<ol style="list-style-type: none"> <li>1. Determine if NSF is effectively managing the delivery of cloud computing services through development of contracts that address business and security risks as well as properly define and provide a mechanism to monitor NSF and cloud service providers' responsibilities.</li> <li>2. Determine whether NSF has strong governance practices in place, including organizational control and oversight of policies, procedures, and standards for IT service acquisition, and for monitoring the use of IT cloud services.</li> </ol>
<b>2. <u>Financial/Program Audits of NSF Awardees</u></b>	
Audits of Various Universities, Non-Profits, and For-Profit Entities	Determine whether costs charged to NSF awards are allowable, allocable, and reasonable, and in compliance with federal and NSF requirements
<b>3. <u>Non-Federal Audits</u></b>	
Review of the quality of Single Audits	Assess the adequacy of selected single audits and determine auditors' compliance with the Single Audit Act and OMB requirements.

## **FY 2015 AREAS OF FOCUS**

OA has identified five areas of focus for audit work it plans to perform in FY 2015:

(1) Relocation of NSF headquarters; (2) Health and Safety in the U.S. Antarctic Program (USAP); (3) Awardees' Management of American Recovery and Reinvestment Act (ARRA) Funds; (4) Assessment of Payroll Certification Pilots; and (5) Financial and/or Program Accountability. Although these are areas that we have currently identified, the plan is subject to change to address higher priority matters that may arise during the course of the year.

### **I. Relocation of NSF Headquarters**

In 2013, the U.S. General Services Administration (GSA) signed a 15-year lease agreement on behalf of NSF for a new headquarters building to be built in Alexandria, Virginia. NSF currently plans to move from its current headquarters in Arlington, Virginia to Alexandria in FY 2017. As part of its oversight responsibilities, the OIG initiated an inspection of NSF's oversight of its relocation. OIG plans to issue memoranda as it identifies issues needing NSF's attention. The first memorandum, *Alert Memorandum on NSF's Relocation to its New Headquarters Location* (OIG Report No. 14-3-003), issued on September 8, 2014, expressed concern about the possible financial impact of on-going, and potential future schedule delays. In FY 2015, OIG will continue to monitor NSF's oversight of its relocation and issue additional memoranda, as needed.

#### Objectives:

- 1) Determine the effectiveness of NSF's controls to track the use and status of the move-in allowance.
- 2) Determine the effectiveness of NSF's controls for adhering to NSF-required milestones.
- 3) Determine the impact of the building design.
- 4) Determine the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy.

### **II. Health and Safety in the U.S. Antarctic Program (USAP)**

In July 2012, a U.S. Antarctic Program (USAP) Blue Ribbon Panel issued a report titled, *More and Better Science in Antarctica Through Increased Logistical Effectiveness*. The Report identified eight major logistical issues, which, if addressed, could increase the value and amount of science in NSF facilities in Antarctica. Health and safety was one of the logistical issues that the Report identified.

In response to the Blue Ribbon Panel Report, OIG issued its *Oversight Plan for NSF's U.S. Antarctic Program*, in October 2013. The Plan included 11 proposed projects focusing on USAP logistics. The projects included health and safety, deferred maintenance, inventory control, flight

support, single-point failure risks, and IT deficiencies. In discussing health and safety as a logistical issue that merited OIG's attention, the Plan stated that OIG issued *Audit of the Occupational Health and Safety and Medical Programs in the United State Antarctic Program* (OIG Report No. 03-2-003) in 2003, which noted the need for improvements in long-range capital planning and budgeting for facilities and infrastructure, and for oversight of medical facilities on USAP research ships. The USAP Plan also noted that more recently, OIG completed *Audit of the United States Antarctic Program's Medical Screening Process*, (OIG Report No. 13-2-009), issued September 30, 2013, which found that NSF may have missed opportunities to reduce the cost of medical screenings and had limited oversight of individual medical processing costs charged to the agency.

Following up on these prior OIG audits, and the identification of health and safety as an area of concern in the OIG's USAP Oversight Plan, in FY 2014, OIG began an audit to assess the effectiveness of NSF's oversight of USAP health and safety. In FY 2015, OIG staff will visit USAP facilities in Antarctica to oversee and/or perform audit fieldwork. OIG expects to issue the USAP health and safety audit in the Spring of FY 2015.

Objective: Assess the effectiveness of NSF's oversight and the Antarctic support contractor's performance to ensure the overall health and safety of USAP participants.

### **III. Awardees' Management of American Recovery and Reinvestment Act Funds (17 projects)**

The American Recovery and Reinvestment Act (ARRA) provided NSF with \$3 billion in funding for its awardees. In September 2011, the Office of Management and Budget (OMB) urged federal agencies to ensure that their awardees spent remaining ARRA funds by September 30, 2013, and to recapture funds not spent by that date to the extent possible by law. OMB granted NSF a waiver from that deadline for 512 awards. ARRA awardees not affected by the waiver had to accelerate spending to meet the new deadline. Accelerated spending increased the risk of improper expenditures, since awardees might spend ARRA funds prior to expiration on non-ARRA awards, or for costs unrelated to the ARRA awards. Thus, OA considered awards subject to the accelerated deadline as high risk.

Beginning in FY 2012, OA issued a series of audits assessing ARRA awardees' management of ARRA funds. In FY 2015, these audits will continue. Specifically, OA will issue a report on awardee expenditures for construction of the R/V *Sikuliaq*, a Major Research Equipment and Facilities Construction (MREFC) project with ARRA funding. In addition, OA plans to issue incurred cost audits at 14 institutions that received ARRA funds, and accounting systems audits at two other ARRA awardees to determine if they properly accounted for their ARRA funds.

#### ***The R/V Sikuliaq***

NSF awarded \$148 million in Recovery Act funds for construction of the R/V *Sikuliaq*, a research vessel operating year-round in the waters around Alaska and the polar region. The *Sikuliaq* contains extensive research instrumentation, scientific equipment, and laboratories and will be available to scientists and students in a variety of disciplines. OA issued its first *Sikuliaq*

report, on NSF's management of the construction of this research vessel, in FY 2014. A second report, on expenditures by the University of Alaska Fairbanks, the awardee for the project, will be issued in FY 2015.

Objective: Determine the allowability of awardee expenditures, as well as compliance with ARRA, other federal requirements, and award terms and conditions.

### ***Audits of 16 Institutions with ARRA Funds***

ARRA awards are high risk because they have complex new terms and conditions and reporting requirements. Further, ARRA awards without waivers that completed spending by the new deadline of September 30, 2013, are of additional risk due to the possibility that awardees misspent ARRA funds to ensure they were spent before the new expiration date.

OA identified high-risk audit candidates with ARRA funds using data analytics and the results of prior audits. To conduct audits of awardee expenditures, including ARRA expenditures, OIG contracted with IPA firms or DCAA. Of the 16 audits yet to be issued, 14 are incurred cost audits; and two are audits of awardees' accounting systems, to determine if they properly account for ARRA funds.

#### Objectives for the 14 incurred cost audits:

Note: Not all 14 audits have the same objectives, but each has some combination of the following objectives:

- 1) Identify instances of unallowable, unallocable, and unreasonable costs.
- 2) Identify instances of noncompliance with regulations, federal financial assistance requirements (e.g., OMB Circulars), and the provisions of the NSF award agreements.
- 3) Determine whether the awardee has adequate systems in place to account for and safeguard NSF funds.
- 4) Assess the adequacy of the accounting system to properly account for, segregate, and report the use of ARRA funds for NSF awards in accordance with OMB requirements.
- 5) Review the awardee's accounting and reporting for the NSF ARRA awards to determine whether the awardee is properly accounting, segregating, and reporting for these awards in accordance with OMB requirements.
- 6) Determine the reasonableness, accuracy, and timeliness of the awardee's ARRA quarterly reporting, including reporting of jobs created under ARRA and grant expenditures for the two most recent quarters.

#### Objective for the 2 accounting system audits:

Determine the adequacy of the accounting systems and practices for accumulating and reporting ARRA and non-ARRA costs under NSF awards.

#### **IV. Assessment of Payroll Certification Pilots**

The Federal Demonstration Partnership (FDP) is a partnership of federal agencies, academic research institutions, and non-profit organizations, with a purpose to reduce burdens associated with the administration of federal research grants and contracts. In 2011, the FDP issued a proposal to use payroll certification to report labor effort expended on federal awards.<sup>3</sup> The FDP proposed payroll certification as an alternative to activity reporting and plan confirmation, two main OMB-approved methods that institutions of higher education have used in the past to report salary and wage charges on federally-funded projects. According to the proposal, payroll certification differs from activity reporting and plan confirmation in two ways: First, payroll certification is project-based (not person-based); and second, it relies on a concept that “charges are reasonable in relation to work performed” (not “effort”).

Four universities have pilot-tested the proposed payroll certification method. The NSF OIG and the Health and Human Services (HHS) OIG are auditing these pilots to assess the adequacy of the proposed methodology. Each OIG has the lead on two. The four audits are expected to be issued during FY 2015.

Objective: Determine whether the payroll certification methods used by four universities have adequate controls to ensure only allowable costs are charged to NSF awards and that the labor data are secure.

#### **V. Financial and/or Program Accountability**

NSF is accountable for the quality, integrity, and performance of its research programs and stewardship of its annual appropriations. This accountability is mandated by NSF’s chartering legislation and numerous other laws including the Budget and Accounting Procedures Act, the Federal Managers Financial Integrity Act, the Chief Financial Officers Act, the Federal Financial Management Improvement Act, and OMB Circulars. Conducting audits to evaluate whether NSF is fulfilling its responsibilities for financial and/or program accountability is central to the OIG mission of preventing and detecting fraud, waste, and abuse and promoting effectiveness, efficiency, and economy.

#### **Mandatory Audits and Reviews**

The OIG is required by law to conduct certain audits. These include the annual audit of NSF’s financial statements, and an annual independent evaluation of NSF’s information security operations. In addition, the Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires OIG to report on NSF’s compliance with the Act.

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<sup>3</sup> *Payroll Certifications A Proposed Alternative to Effort Reporting*, Federal Demonstration Partnership, January 3, 2011. The report is available at the following address:  
[http://sites.nationalacademies.org/cs/groups/pgasite/documents/webpage/pga\\_055994.pdf](http://sites.nationalacademies.org/cs/groups/pgasite/documents/webpage/pga_055994.pdf)

### ***Audit of NSF's FYs 2014 and 2015 Financial Statements***

The Government Management and Reform Act of 1994, Public Law 103-356 (GMRA) requires that 24 major federal agencies, including NSF, annually prepare financial statements disclosing the results of agency-wide operations. As required by the Chief Financial Officers Act of 1990 Public Law 101-576 (CFO Act), the Inspector General (IG) or an independent external auditor selected by the IG, is responsible for performing the agency-wide audit. The OIG has entered into a contract with CliftonLarsonAllen to conduct these financial statement audits.

Objective: Express an opinion on NSF's financial statements and report on NSF's internal controls over financial reporting and compliance with applicable laws and regulations that could have a direct and material effect on the financial statements.

### ***FYs 2014 and 2015 FISMA Evaluations***

The Federal Information Security Management Act of 2002 (FISMA) requires the OIG to perform an independent evaluation of NSF's information security program and practices to determine their effectiveness and to report the results to OMB. The OIG has contracted with CliftonLarsonAllen to conduct these evaluations.

Objective: Determine the effectiveness of NSF's information security program and practices.

### ***NSF's Compliance with IPERA***

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires OIG to review and report on NSF's IPERA compliance. OIG has chosen to use an audit for this purpose. The FY 2015 audit will evaluate NSF's compliance with IPERA during the period beginning October 1, 2013, and ending September 30, 2014.

Objectives:

- 1) Determine if NSF is in compliance with the requirements of IPERA.
- 2) Evaluate the accuracy and completeness of NSF's improper payment reporting in its FY 2014 Annual Financial Report (AFR).
- 3) Evaluate the agency's performance in reducing and recapturing improper payments.

### **Discretionary Audits, Inspections, and Reviews**

OA also performs discretionary audits of NSF programs and operations. In addition, it performs financial and program audits of NSF awardees, as well as NSF's oversight of the awardees. The specific areas on which OA will focus its work during FY 2015 include internal performance

audits and inspections; incurred cost audits of NSF awardees; and reviews of the quality of selected non-federal audits.

## **NSF Programs and Operations**

### *Management Fees*

Federal agencies have awarded management fees to Federally Funded Research and Development Centers for many years to cover ordinary and necessary business expenses that would otherwise go unreimbursed because such expenses constitute neither a direct nor an indirect cost chargeable to a federal project. NSF has stated that it includes management fees in unique cases when it is working with specialized nonprofit research organizations on large scale projects. OIG has started an inspection of management fees in NSF awards, which may encompass two phases. The first phase will include a review of federal and NSF criteria for management fees, including a review of Government Accountability Office reports. The second phase could include a review of selected awards to determine how management fees were awarded, managed, and expended.

#### Objectives:

1. Review federal and NSF criteria for management fees.
2. Benchmark the use of management fees at other federal agencies.
3. Determine, from a review of selected awards, how NSF awards and manages management fees, and how they were expended.

### *Travel Cards*

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, dated September 6, 2013, requires OIGs to conduct periodic assessments of agency travel card programs to analyze the risks of illegal, improper, or erroneous purchases. Based on issues identified during our audit of NSF's purchase card program, OIG began an audit of the travel card program in FY 2014 and will issue its report in FY 2015. OIG has not audited NSF's travel card program since 2005.<sup>4</sup>

Objective: Determine the adequacy of NSF's controls over travel cards and identify possible improper charges.

### *Conference Spending*

On November 9, 2011, President Obama signed an Executive Order titled *Promoting Efficient Spending*, which directed agencies to reduce combined costs in several administrative categories by not less than 20 percent in FY 2013 from FY 2010 levels. OMB followed up with

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<sup>4</sup>*Audit of NSF's Travel Card Program*, OIG Report No. 05-2-012, September 30, 2005.

*Memorandum M-12-12*, issued May 11, 2012, requiring federal agencies to report by January 31 annually on all agency-sponsored conferences from the previous year for which net expenses per each single conference were over \$100,000. The report is also required to include the agency head's waiver that identified the exceptional circumstances necessitated for any single conference with net conference expenses that exceeded \$500,000. Then, on May 28, 2013, OMB issued a *Controller Alert* to federal agencies regarding travel and conferences in light of the FY 2013 sequestration. According to the *Controller*, each agency is responsible for implementing its own internal travel and conference policies. The *Alert* also specified certain best practices. For example, conference and training fees should follow the Federal Acquisition Regulation guidelines for purchases of the activities involved, and conferences should not include excessive or lavish social events. Further, agencies should inquire about the availability of "no-frills" pricing options.

Objectives:

- 1) Determine if NSF's conference spending and related reporting is compliant with NSF and OMB conference policies.
- 2) Determine if opportunities exist to reduce costs of conferences.

*Cloud Computing*

NSF has entered into contracts for cloud computing services for several systems, including email, external SharePoint, and iTRAK, which is its new financial management system. Use of the cloud entails multiple risks and issues, such as data access, security, and management of contractors. OIG has initiated an inspection on the adequacy of NSF's cloud contracts, and its internal controls, to minimize these risks.

Objectives:

- 1) Determine if NSF is effectively managing the delivery of cloud computing services through development of contracts that address business and security risks as well as properly define and provide a mechanism to monitor NSF and cloud service providers' responsibilities.
- 2) Determine whether NSF has strong governance practices in place, including organizational control and oversight of policies, procedures, and standards for IT service acquisition and for monitoring the use of IT cloud services.

**Financial/Program Audits of NSF Awardees**

*Audits of Various Universities, Non-Profits, and For-Profit Entities*

Audits of various universities, non-profits, and for-profit entities focus on whether costs charged to NSF awards are allowable, allocable, and reasonable. They also assess the adequacy of awardees' internal controls over the administration of NSF funds in compliance with federal and

NSF requirements and recipient financial information. For FY 2015, these audits will include 17 projects that focused on ARRA funded awards. These projects have been discussed previously in the ARRA section of this Plan. In addition, OIG plans 19 new incurred cost audits at awardees selected from OIG's FY 2015 risk assessment.

Objective: Determine whether costs charged to NSF awards are allowable, allocable, and reasonable in compliance with federal and NSF requirements.

## **Non-Federal Audits**

### ***Review of the Quality of Single Audits***

Non-federal auditors conduct annual audits of entities that expend \$500,000 (\$750,000, as of December 26, 2014) or more a year in federal awards. These required audits, called single audits, are conducted in compliance with the Single Audit Act and related OMB guidance. Auditors who conduct these audits include public accounting firms and state auditors. OA reviews the quality of selected single audits to determine if the reports comply with the Single Audit Act and OMB requirements. OA will also continue to conduct quality control reviews of selected single audits in FY 2015.

Objective: Assess the adequacy of selected single audits and determine auditors' compliance with the Single Audit Act and OMB requirements.