

**CFO Update**  
**B&O Advisory Committee Meeting (Fall 2017)**  
(November 28, 2017)

➤ **BFA Senior Staff Changes**

- *BFA leadership:* At the beginning of August, Marty Rubenstein retired after 37 years of federal service. Marty's retirement resulted in a number of staffing shifts to cover key leadership positions while the Director's Office leads the recruitment process for a new CFO and BFA Office Head. These are as follows:
  - Teresa Grancorvitz is Acting CFO and BFA Office Head
  - Michael Sieverts is Acting BFA Deputy Office Head
  - Tony DiGiovanni is Acting Budget Division Director
  - Mace Barron, a detailee from EPA, is Acting Budget Division Deputy Director
- *Budget Division:* Michael Sieverts has announced his planned retirement in February 2018 after 27 years of federal service. An announcement has been issued to fill the position of Division Director for Budget.

➤ **NSF Financial Statement Audit**

- The Office of Inspector General (OIG) issued the [FY 2017 Financial Statement Audit Report](#) on November 14, 2017. The OIG's audit contractor, Kearney & Company, issued an unmodified opinion on the agency's FY 2017 financial statements, without any material weaknesses or significant deficiencies. The FY 2016 significant deficiency related to information technology access control and monitoring processes was closed.

➤ **Evaluation of NSF's Enhanced Cost Surveillance Policies and Procedures via a Subcommittee of BOAC**

- NSF has finalized the charge and membership for this subcommittee of the BOAC, and the first meeting of the subcommittee took place by phone on October 23, 2017. The first in-person meeting of the subcommittee is scheduled to occur on December 18, 2017. The subcommittee is expected to deliver a final report to BOAC in the summer of 2018.
- The BOAC subcommittee was formed to evaluate the effectiveness of NSF's current cost surveillance policies and procedures in providing sound oversight of all NSF major facility construction and operations awards. The term 'cost surveillance' refers to NSF's oversight framework relating to major facility costs including the following: (1) proposal cost estimates, (2) NSF cost analysis of those estimates, and (3) post-award cost and performance monitoring.

➤ **Government Accountability Office (GAO) Review of NSF Major Projects**

- [Senate Report 114-239](#), which was part of the Consolidated Appropriations Act of 2017, directed GAO to review programs funded within NSF's Major Research Equipment and Facilities Construction account, including identifying technical risks and cost overruns over the construction life of projects, and explaining any tradeoffs NSF intends to execute to meet its no cost overrun policy. An entrance conference was held with GAO on September 26, 2017; and, since then, NSF has responded to numerous data requests from GAO as they begin their review of major projects and the associated NSF policies. GAO's anticipated timeframe for this engagement is to have a report completed by the spring of 2018.

➤ **GAO Audit of NSF's Indirect Cost Rate Setting Process**

GAO issued their audit report [National Science Foundation: Actions Needed to Improve Oversight of Indirect Costs for Research \(GAO-17-721\)](#) on September 28, 2017. This GAO audit was initiated in 2016 and assessed NSF's (1) indirect costs over time, (2) policies and indirect cost reimbursement rates compared to other funding agencies, (3) controls for validating indirect costs, and (4) adherence to established guidance for indirect costs. NSF concurred with all GAO recommendations. Below is a summary of the recommendations:

- NSF should require staff to follow written internal guidance for setting indirect cost rates and update its database to reflect the status of awardees for which NSF has cognizance.
- NSF should add details to NSF's internal guidance for setting indirect cost rates specifying the criteria to be used by the supervisor for assessing the level of risk and steps for mitigating the risks at each level and the steps for supervisory review of the indirect cost rate setting process and documentation of the results of the review.
- NSF should add procedures to NSF's internal guidance for implementing the applicable new provisions of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, including updating links to the OMB guidance and monitoring the indirect cost rates that the Department of Interior (DOI) negotiates on NSF's behalf.

A formal response to the final audit report, including NSF's proposed corrective actions, was submitted to the appropriate members of the House and Senate by Dr. Córdova on November 15, 2017.

➤ **Digital Accountability and Transparency Act (DATA Act)**

- On Friday, April 28, 2017, NSF certified data required by the DATA Act, culminating a two-year coordinated government-wide implementation initiative. Certification kicks off a new era of access to government-wide award and financial data for which NSF and other agencies are in the earliest of stages of imagining a use case.
- The [DATA Act](#) statute requires the Inspector General of each federal agency to review a sample of FY2017 Quarter 2 financial data for completeness, timeliness, quality, and accuracy, as well as the implementation and use of consistent data standards by each agency.
- The [NSF DATA Act audit report](#) was published on November 17, 2017 and found that NSF spending data did not meet the quality requirements as outlined by OMB. While NSF was pleased that the final report appropriately separated government-wide reporting errors that are beyond NSF's control from errors they found attributable to the agency and generally agreed with the auditors' recommendations, we identified three areas of differences with the auditors' report:
  - We differ with the auditors with respect to a substantial percentage of the NSF-attributed errors because we were aware of these accounting adjustment transactions and documented them as legitimate in accordance with OMB guidance.
  - We do not agree with the underlying methodology used to calculate the error rates because it is based on OMB guidance from 2010 that needs updating to redefine errors at the data element, rather than at the transaction, level.

- We do not agree with the causes and their linkage to the effects stated in the report, and we believe that NSF has sufficient reconciliation and quality control procedures embedded into our data submission processes to ensure that information is accurate, complete and timely.
- NSF can confidently state that its submission substantially complies with all required data elements and presents NSF data in all material respects, meeting the transparency goals of the DATA Act.
- NSF will submit a Corrective Action Plan to the OIG in mid-January 2018.

➤ **Grants Oversight and New Efficiency (GONE) Act**

- The [GONE Act](#) was signed by President Obama on January 28, 2016. The goal of the GONE Act is to close out expired grants and return funds to the Treasury in a timely manner. The GONE Act requires the OMB to instruct each agency, in coordination with the Department of Health and Human Services (HHS), to submit to Congress and HHS by December 31, 2017 a report for grants that have been expired for two or more years (end date of September 30, 2015 or prior) that have not been closed. The report should:
  - Provide the total number of federal grant awards, including the number of grants by time period of expiration, that meet the criteria;
  - Include the number with zero dollar balances, and the number with undisbursed balances;
  - Describe the challenges leading to delays in grant closeout; and,
  - Explain, for the 30 oldest federal grant awards, why each has not been closed out.
- No later than one year after the Director, NSF, submits the agency's report, NSF must report to HHS whether it has closed out the covered grants discussed in its report. HHS is required to compile this information government-wide and provide it to Congress.
- In accordance with the OMB guidance for the GONE Act, NSF provided the GONE Act report to OMB and issued summary data in the FY 2017 Agency Financial Report. NSF reported 483 awards that met the criteria listed above. None of the NSF awards had balances. The overwhelming majority of the awards were still open due to late technical progress reports.

➤ **FY 2018 Appropriation**

The House and Senate have both marked up their versions of the Commerce, Justice, Science and Related Agencies (CJS) Appropriations Bills.

- The CJS Appropriation Bill passed the full House of Representatives on September 14, 2017.
- The Senate Appropriations Committee voted out the CJS Bill on July 27, 2017; there is no information on the schedule for Senate action on the bill.
- Details on each with comparisons to the FY 2018 Request and the FY 2017 Enacted are in the tables below.
- Noteworthy items:
  - Report language supports the importance of NSF's overall investment
  - Strong support for major facilities
  - MREFC: Regional Class Research Vessels not included in House bill; fully funded in Senate
  - Continued emphasis on programs for Hispanic Serving Institutions and Historically Black Colleges and Universities
  - No directorate level allocations

The current FY 2018 Continuing Resolution expires on December 8, 2017.

- Press reports indicate Congress plans to pass a short term Continuing Resolution through the end of December or early January.

**National Science Foundation  
Summary Table  
FY 2018 House CJS Mark**  
(Dollars in Millions)

NSF by Account	FY 2017 Enacted	FY 2018 Request	FY 2018 House CJS Mark	FY 2018 Mark change over:			
				FY 2017 Enacted		FY 2018 Request	
				Amount	Percent	Amount	Percent
<b>Research &amp; Related Activities</b>	\$6,033.65	\$5,361.65	\$6,033.65	-	-	\$671.99	12.5%
<b>Education &amp; Human Resources</b>	\$880.00	\$760.55	\$880.00	-	-	\$119.45	15.7%
<b>Major Research Equipment &amp; Facilities Construction</b>	\$209.00	\$182.80	\$77.80	-\$131.20	-62.8%	-\$105.00	-57.4%
<b>Agency Operations &amp; Award Management</b>	\$330.00	\$328.51	\$328.51	-\$1.49	-0.5%	-	-
<b>National Science Board</b>	\$4.37	\$4.37	\$4.37	-	-	-	-
<b>Office of Inspector General</b>	\$15.20	\$15.01	\$15.20	-	-	\$0.19	1.3%
<b>Total, NSF</b>	<b>\$7,472.22</b>	<b>\$6,652.89</b>	<b>\$7,339.53</b>	<b>-\$132.69</b>	<b>-1.8%</b>	<b>\$686.64</b>	<b>10.3%</b>

**National Science Foundation  
Summary Table  
FY 2018 Senate CJS Mark**  
(Dollars in Millions)

NSF by Account	FY 2017 Enacted	FY 2018 Request	FY 2018 Senate Mark	FY 2018 Mark change over:			
				FY 2017 Enacted		FY 2018 Request	
				Amount	Percent	Amount	Percent
<b>Research &amp; Related Activities</b>	\$6,033.65	\$5,361.65	\$5,917.80	-\$115.84	-1.9%	\$556.15	10.4%
<b>Education &amp; Human Resources</b>	\$880.00	\$760.55	\$862.40	-\$17.60	-2.0%	\$101.85	13.4%
<b>Major Research Equipment &amp; Facilities Construction</b>	\$209.00	\$182.80	\$182.80	-\$26.20	-12.5%	-	-
<b>Agency Operations &amp; Award Management</b>	\$330.00	\$328.51	\$328.51	-\$1.49	-0.5%	-	-
<b>National Science Board</b>	\$4.37	\$4.37	\$4.37	-	-	-	-
<b>Office of Inspector General</b>	\$15.20	\$15.01	\$15.20	-	-	\$0.19	1.3%
<b>Total, NSF</b>	<b>\$7,472.22</b>	<b>\$6,652.89</b>	<b>\$7,311.08</b>	<b>-\$161.13</b>	<b>-2.2%</b>	<b>\$658.19</b>	<b>9.9%</b>

➤ **FY 2019 Budget Request to Congress**

- NSF submitted the FY 2019 Budget Submission to OMB in September.
- We are now working with the Administration to prepare the President's FY 2019 Budget which is due to Congress on February 5, 2018.

➤ **Issuance of NSF's FY 2017 Agency Financial Report**

- The [FY 2017 Agency Financial Report \(AFR\)](#), focuses on financial management and accountability and was published on November 15, 2017.