



**National Science Foundation  
Office of Budget, Finance, &  
Award Management**

*<http://www.nsf.gov/bfa/>*

**ENGINEERING AND  
PHYSICAL SCIENCES  
COUNCIL, SCIENCE  
FOUNDATION IRELAND &  
NATIONAL SCIENCE  
FOUNDATION MEETING**

# **FINANCIAL STATEMENT AUDIT**



# Financial Statement Audit

Office of Budget, Finance, and Award Management (BFA)

## INTRODUCTION

- **Cost**
- **Phases**
- **Communication Process**
- **Resolution Process**
- **Audit Cycle**



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## COST

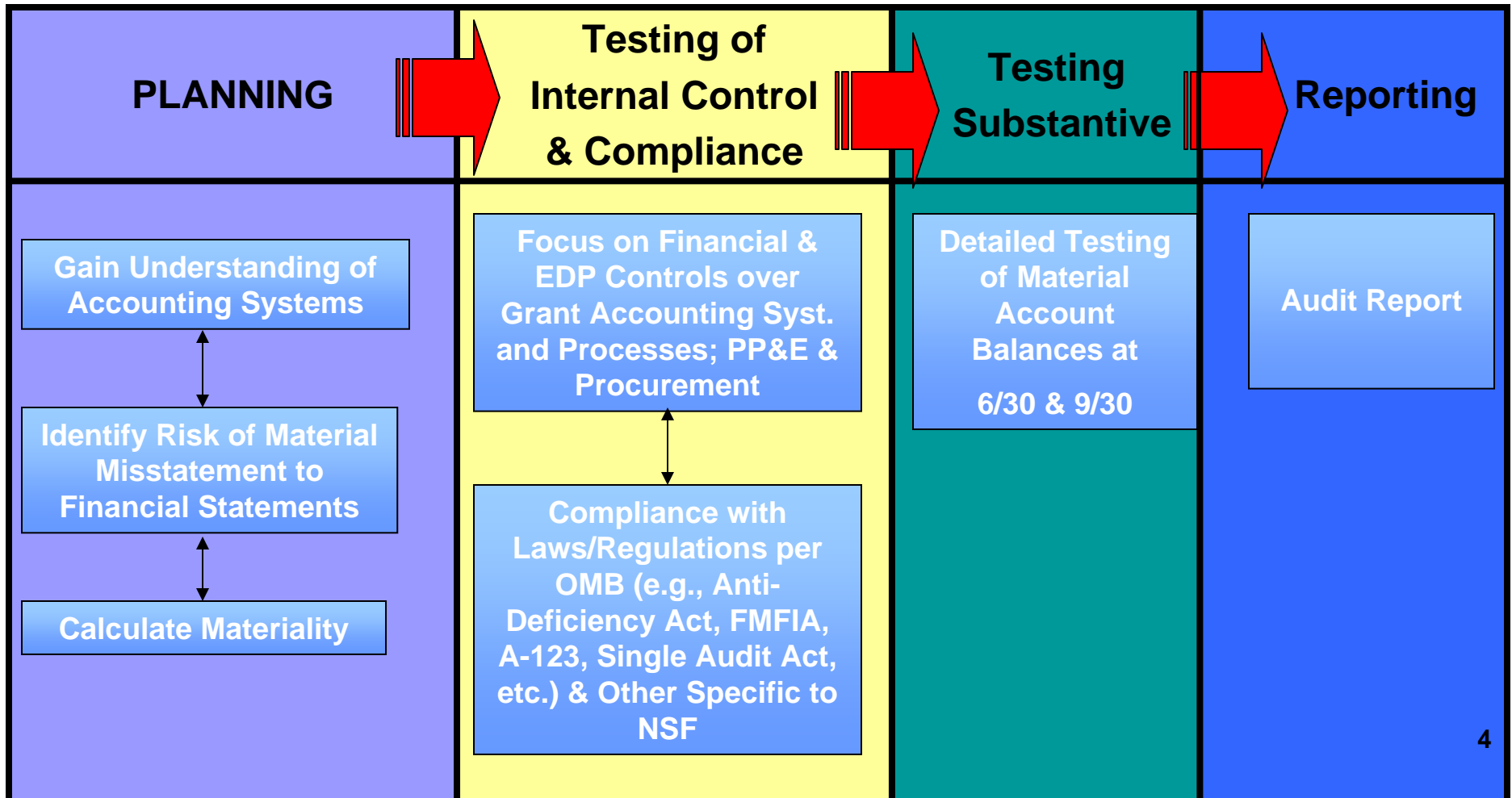
- **Total cost of audit contract; \$742,147 (excludes cost of review related to Federal Information Security Act requirements)**
- **Directly impacts multiple offices within NSF, including BFA, Office of Inspector General (OIG), Office of Information and Resource Management and over eight divisions**



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## PHASES





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## COMMUNICATION PROCESS

- **Prepared by Client (PBC) List**
  - **List of documentation required for audit purposes; not all inclusive**
  - **Includes description of items, source contact, office, due date, and date received**
  - **Considers Management's input on availability of data and target dates**
  - **Drives standard internal process for exchanging information with auditors, maintaining quality control, and ensuring timeliness of data**

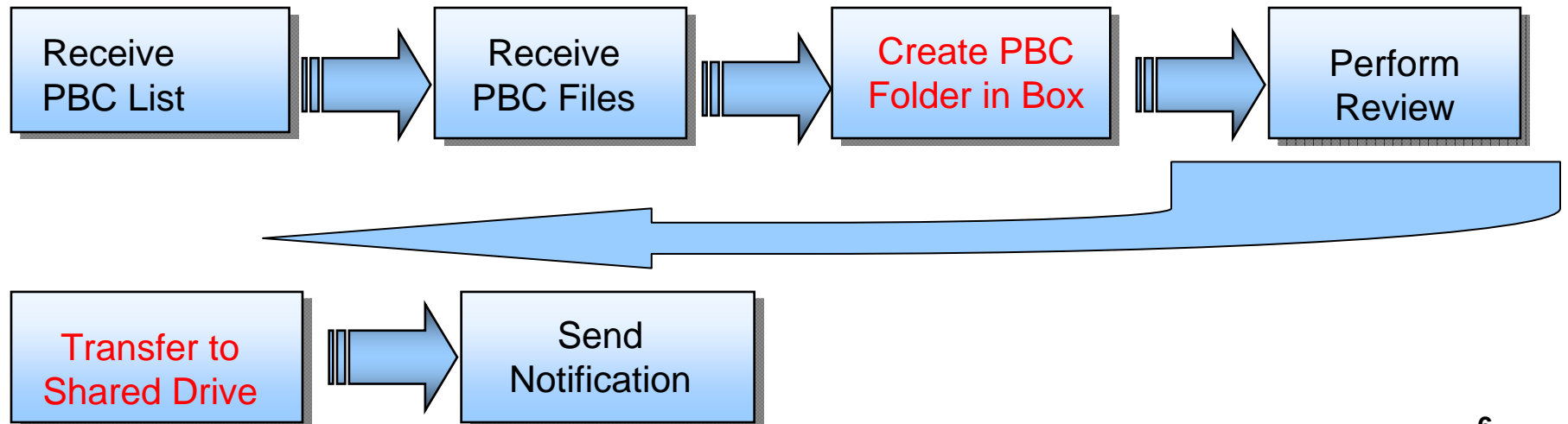


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## COMMUNICATION PROCESS, *continued*

- ❑ Dedicated e-mail address “BFA Financial Statement Audit”
- ❑ Shared Drive “DFM-Financial Statement Audit”





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## TESTING

- **Documentation is key**
- **Timeliness is critical**
- **Many follow-up questions**



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## REPORTING

- **Findings of Exceptions**
  - **Identified during testing phases; Examples include: lack of documentation, recording errors, missing signatures, etc.**
  - **Management is informed of exceptions, to ensure all relevant information is available**
  - **Considered preliminary issues that management can address as part of Notice of Findings and Recommendations (NFR) process**





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## REPORTING, *continued*

- **NFR**
  - Documents potential findings related to testing results
  - Part of fact finding process; management has opportunity to provide additional information that may assist audit team in resolving preliminary findings
  - Unresolved findings are included in Audit Report as “Material Weaknesses” and/or “Significant Deficiencies” or in Mgmt. Letter Report



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## REPORTING, *continued*

- Significant Deficiency Vs. Material Weakness
  - **Significant Deficiency (previously Reportable Condition):** A deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.





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## REPORTING, *continued*

- Significant Deficiency Vs. Material Weakness
  - **Material Weakness:** A significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected.



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## REPORTING, *continued*

### Audit Report

- **Opinion on Financial Statements (4 Types)**
- **Report on Compliance with Laws & Regulations**
- **Report on Internal Control**

### **Other Associated Reports**



#### INDEPENDENT AUDITOR'S REPORT

Inspector General, National Science Foundation  
Director, National Science Foundation  
Chair of National Science Board

In our audit of NSF for fiscal year (FY) 2008 we found:

- The NSF financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations;
- Significant progress has been made in FY 2008 on the two control deficiency conditions noted in the FY 2007 auditor's report and, accordingly, neither of those matters are considered to be a significant deficiency;
- No instances of noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA);
- No instances of noncompliance with laws and regulations, except for a potential matter of non-compliance with respect to the Anti-Deficiency Act.

The following sections discuss in more detail: (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other supplementary information, (3) our audit objectives, scope and methodology, and (4) agency comments and evaluation.

#### OPINION ON FINANCIAL STATEMENTS

The accompanying financial statements including the accompanying notes present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States, NSF's assets, liabilities, and net position as of September 30, 2008 and 2007; and net costs; changes in net position; and budgetary resources for the years then ended.

#### CONSIDERATION OF INTERNAL CONTROL

In planning and performing our audit, we considered NSF's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.





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## Resolution Process

**Corrective Action Plan – Developed by Management to resolve audit findings and implement recommendations; requires agreement with OIG**

**Management implements corrective actions, performs follow-up and prepares periodic progress reports for senior officials and OIG**

**Progress is validated through the current year's audit cycle**



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