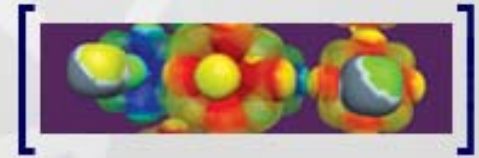# NSF Regional Grants Conference

Compliance Issues

March 30 & 31, 2009

Hosted by: Arizona State University

Tempe, Arizona

Ask Early, Ask Often!

Name	Title	Contact
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Division of Institution and Award Support (DIAS)

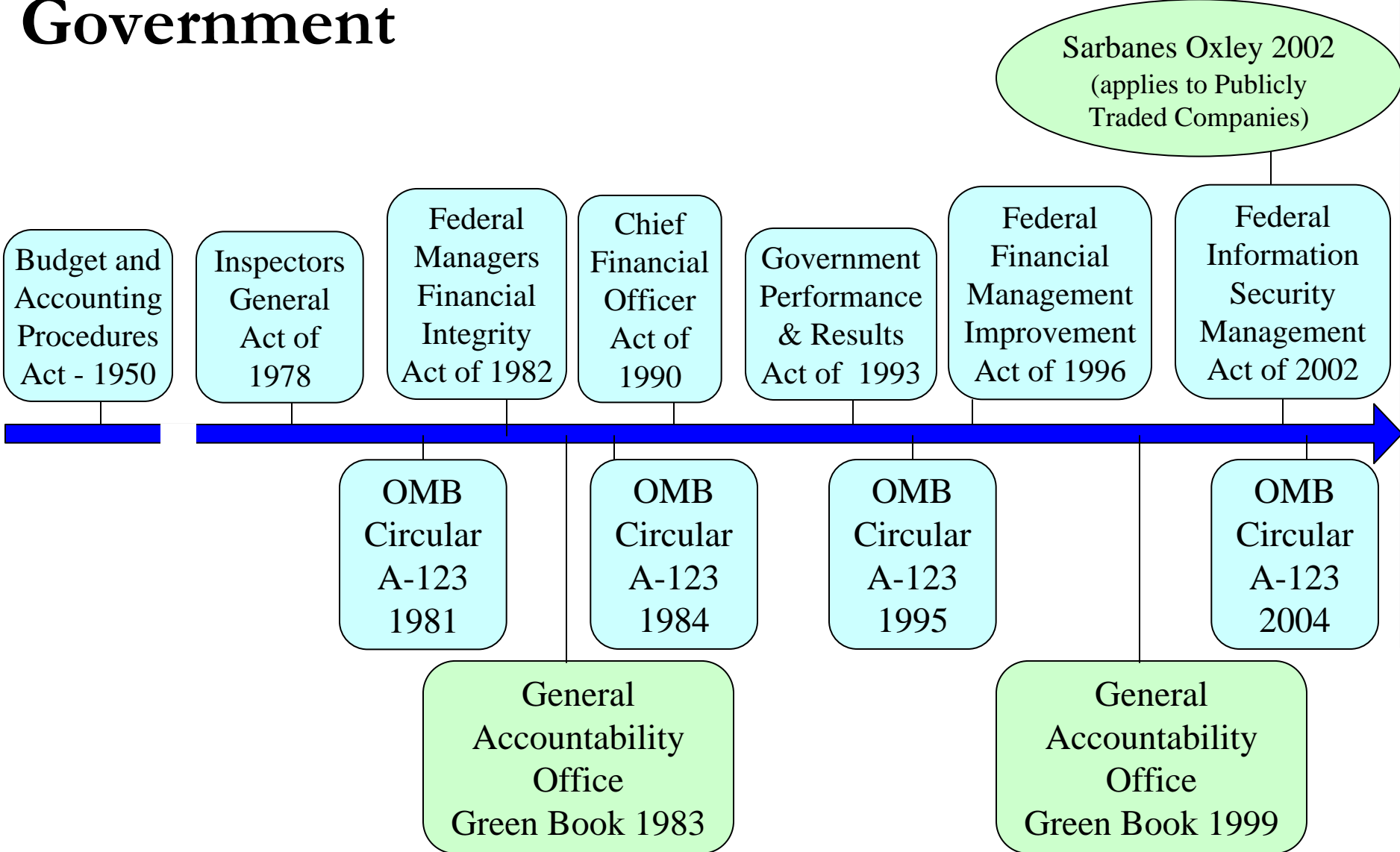**Cost Analysis and Audit Resolution Branch (CAAR)**

Oversight & Monitoring of Federal Awards

- **Overall Federal Context for Oversight**

- **Emphasis on Stewardship of Federal Funds**

- **NSF Monitoring and Business Assistance**

- **Compliance & Common Areas of Concern**

Overall Federal Context for Oversight: Evolution of Internal Controls in the Federal Government

Sarbanes Oxley 2002 (applies to Publicly Traded Companies)

Budget and Accounting Procedures Act - 1950

Inspectors General Act of 1978

Federal Managers Financial Integrity Act of 1982

Chief Financial Officer Act of 1990

Government Performance & Results Act of 1993

Federal Financial Management Improvement Act of 1996

Federal Information Security Management Act of 2002

OMB Circular A-123 1981

OMB Circular A-123 1984

OMB Circular A-123 1995

OMB Circular A-123 2004

General Accountability Office Green Book 1983

General Accountability Office Green Book 1999

Why is Internal Control Important?

Operations
- Promotes efficiency and effectiveness of operations through standardized processes
- Ensures the safeguarding of assets through control activities

Financial
- Promotes integrity of data used in making business decisions
- Assists in fraud prevention and detection through creation of an auditable trail of evidence

Compliance
- Helps maintain compliance with laws and regulations through periodic monitoring

$ Funding Flow $	US Gov't Control Environment	Other Control Environment

Federal Responsibility

Congress → Administration/Treasury → Agency

Government Financial Statements

Financial Statement & Internal Controls

Budget Act; Laws & Regulations; CFO Act; OMB Circulars; Cost Principles; GAO; OIG Act

OIG/Contractor Audit; GPRA; FFMIA; A-123 FMFIA; OMB Form & Content Guidance

Awardee Responsibility

Awardee

Grant Terms & Conditions; Expenditure Reports; Internal Controls

Subrecipients → Subaward Terms & Conditions and Internal Controls

Laws & Regulations; Single Audit Act/A-133; OMB Cost Principles; Cognizant Audit Agency

Laws & Regulations; Single Audit Act/A-133; OMB Cost Principles; Cognizant Audit Agency

University Boards; State Auditors
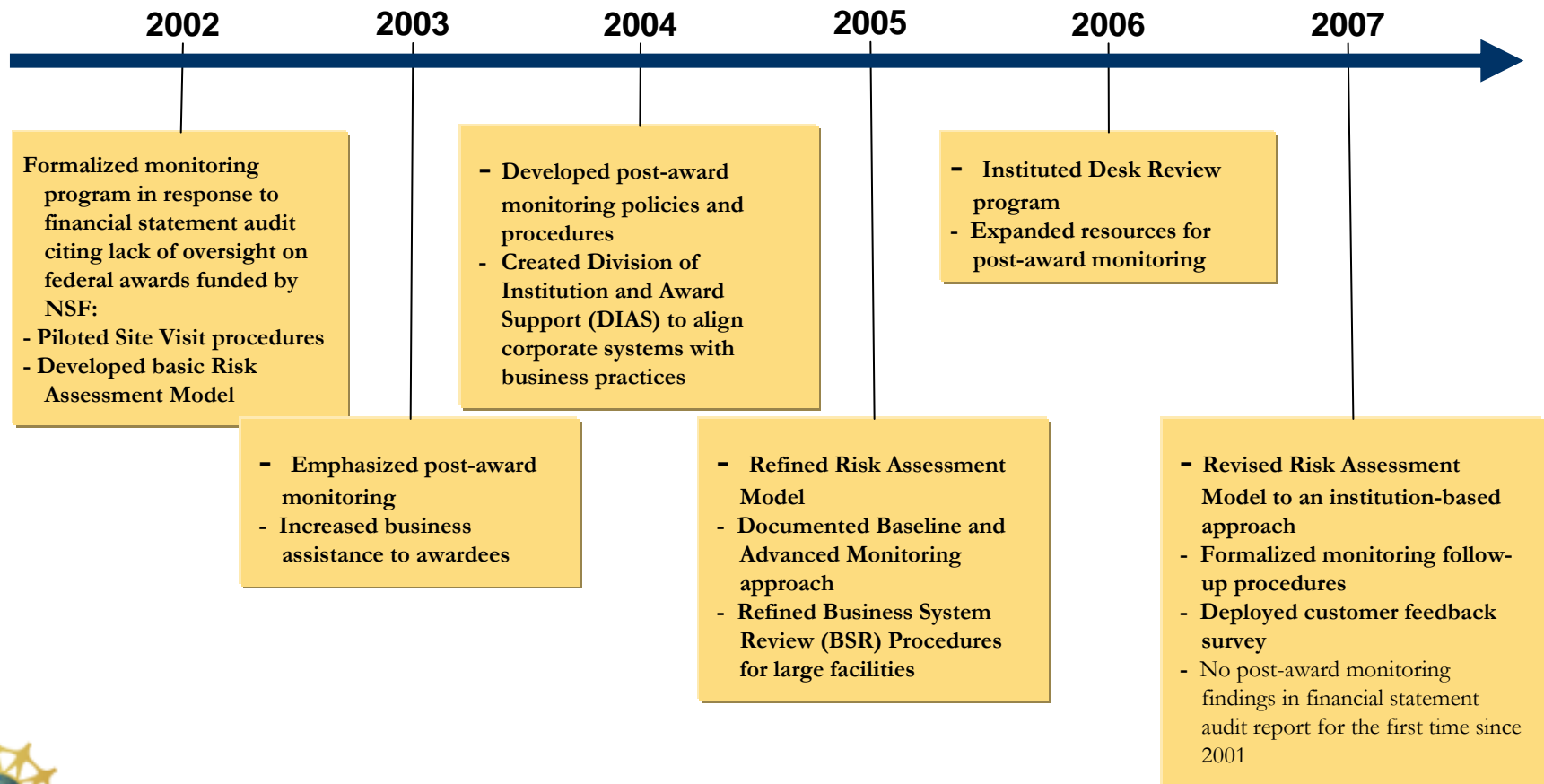
University Boards; State Auditors

The Story Begins – Emphasis on Stewardship of Federal Funds

- **Government-wide Emphasis on Stewardship**

- **Important to Recognize the System the Government already has in place**

- **Consider How to Supplement this System with Additional Monitoring**

NSF has transformed its post-award monitoring approach to meet evolving oversight needs

Evolution of NSF Post-Award Monitoring Processes

2002 — 2003 — 2004 — 2005 — 2006 — 2007

2002:
Formalized monitoring program in response to financial statement audit citing lack of oversight on federal awards funded by NSF:
- Piloted Site Visit procedures
- Developed basic Risk Assessment Model

2003:
- Emphasized post-award monitoring
- Increased business assistance to awardees

2004:
- Developed post-award monitoring policies and procedures
- Created Division of Institution and Award Support (DIAS) to align corporate systems with business practices

2005:
- Refined Risk Assessment Model
- Documented Baseline and Advanced Monitoring approach
- Refined Business System Review (BSR) Procedures for large facilities

2006:
- Instituted Desk Review program
- Expanded resources for post-award monitoring

2007:
- Revised Risk Assessment Model to an institution-based approach
- Formalized monitoring follow-up procedures
- Deployed customer feedback survey
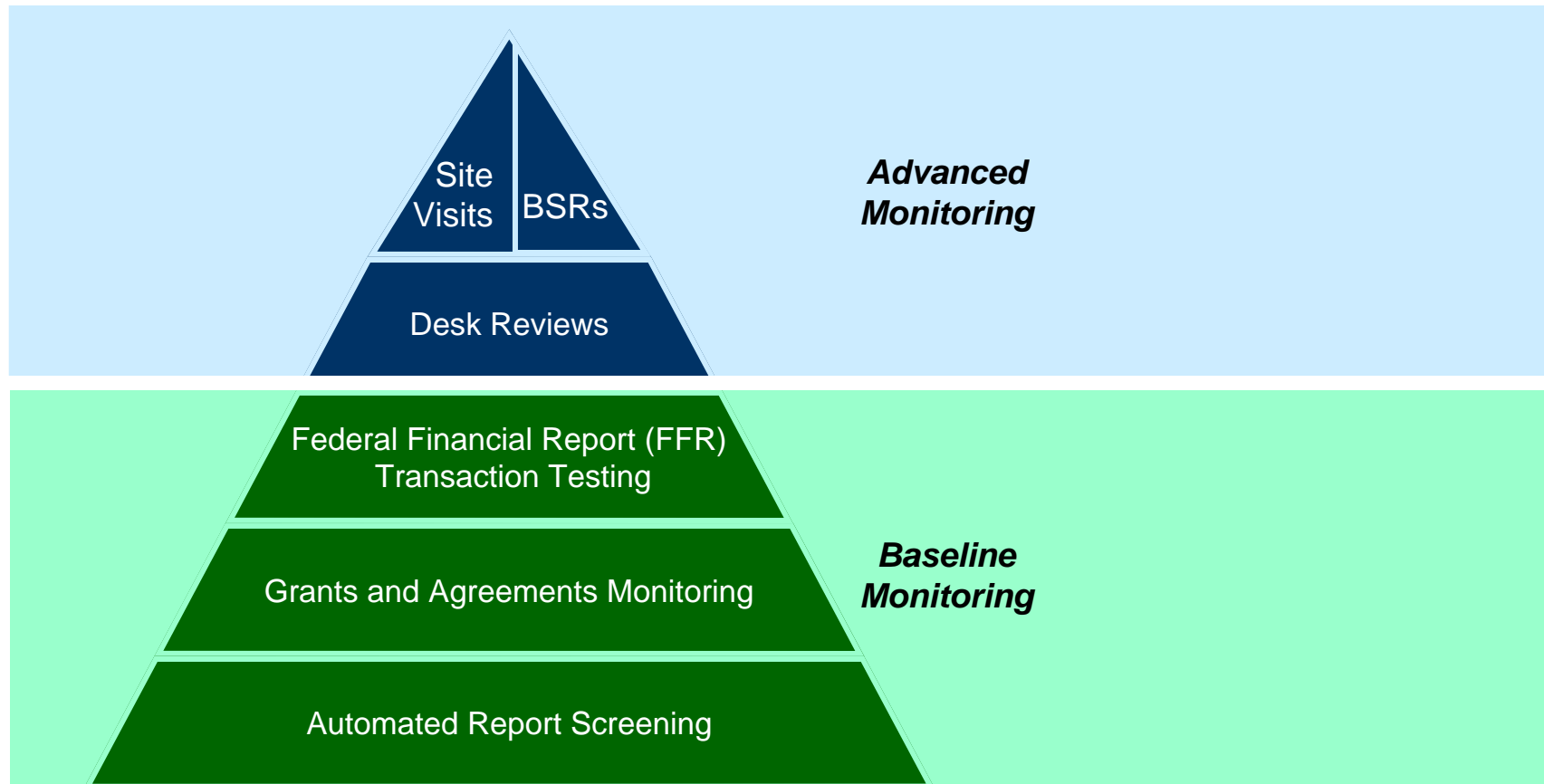- No post-award monitoring findings in financial statement audit report for the first time since 2001

NSF's Award Monitoring & Business Assistance Program

- **NSF's Program is a Model in Federal Government**

- **NSF Conducts an Annual Risk Assessment of All Awards**
  - Allows appropriate focus on high risk awards

- **NSF Increased Resources**
  - Staff
  - Time Devoted
  - Travel

NSF's integrated set of monitoring activities that provide broad coverage of its award portfolio

Advanced Monitoring
- Site Visits
- BSRs
- Desk Reviews

Baseline Monitoring
- Federal Financial Report (FFR) Transaction Testing
- Grants and Agreements Monitoring
- Automated Report Screening

Risk Assessment and Award Monitoring

- **Purpose - Stewardship of Federal Funds**

- **Identify awards and awardee institutions for Award Monitoring and Business Assistance Site Visits – these are not audits!!**

- **Visits are a monitoring and outreach activity!!**

- **Proactively review awardee general financial and management systems**

- **Assure NSF that awardees understand and comply with requirements of award agreement & Federal regulations**

NSF's Risk Assessment Model

- **Automated process**
- **Covers all ~ 34,600 active awards at ~ 2,900 institutions for ~ $16,957,346,096 awarded**
- **Objective Considerations**
- **Subjective Considerations**
- **Program Officer and Administrative offices**

CAAR - Post Award Monitoring & Business Assistance Program (AMBAP) Site Visits:

- **Locations to visit are determined based on risk assessment**

- **Core Review Areas**
  - General Management, Accounting and Financial System Review, FCTR Reconciliation

- **Targeted Review Areas**
  - Examples are cost sharing, participant support and sub-awards/sub-recipient monitoring

A Summary of the NSF's AMBAP:

- **Risk Assessment**

- **Site Visit Schedule**

- **Pre Site Visit Activities Include Consultation with Program Officers**

- **On-Site Review Modules**

- **Post Site Visit Follow-up**

- **Annual Review & Modifications**

Common Areas of Concern

- **Time and Effort Reporting**

- **Participant Support**

- **Consultants**

- **Subrecipient Monitoring**

Time & Effort Reporting

- **System to document and support salary charges to Federal awards – labor is a primary driver on most NSF awards.**

- **Valuable for awardees – a management tool - know what activities employees are spending their time on.**

- ***Time & Attendance Records* – vacation, sick, or present for duty vs. *Time & Effort Reports* – what activity the employee was working on?**

Time & Effort Reports should contain:

- Employee name or identification code
- Project name / number or account code, total effort that pay period
- Hours or percentage charged to different projects
- Employee or supervisor signature (can be electronic)
- Not determined based on budget but developed after the fact based on actual activities performed

2 CFR 220 (OMB A-21)
Time & Effort Reporting

- **Official records – by academic periods - semester, quarter**

- **Reasonably reflect activities for which employee is compensated**

- **Encompass both sponsored projects and other activities**

OMB 2 CFR 220 (OMB A-21)
Time & Effort Reporting

Plan Confirmation

- Initially based on budget or assigned work which is then adjusted to actual if there are modifications

- Includes statement confirming that work was performed as budgeted

- The system must provide for independent internal evaluation to ensure integrity and compliance with standards.

After the Fact Activity Reports

- Prepared each academic term for faculty and professional staff

- Other employees at least monthly and coincide with payroll

Participant Support Costs

- **Participants or Trainees**
- **Stipends, subsistence allowance, travel, registration fees, copies, tuition**
- **Funds approved in the budget *may not be re-budgeted* to other expense categories with out prior written approval of the NSF program officer**

Participant Support Costs

- **Awardee organizations must be able to identify participant support costs.**

- **Participant Support Costs *are not* a normal account classification**

- **Highly recommended that separate accounts, sub-accounts sub-task or sub-ledgers be established to accumulate these costs.**

- **Should have written policies & procedures.**

Participant Support Costs

- **Written prior approval from the NSF Program Officer is required for reallocation of funds provided for participant or trainee support (see AAG, Chapter V.B.8.).**

- **Request submitted electronically to NSF through use of FastLane**

Participant Support Costs

- **Typically excluded by NSF from application of the indirect cost rate (MDTC – and pass through funds – such as stipends)**

- **Participant support – eligibility – what did participants have to do to receive the payment**

- **Documentation of attendees at conferences or workshops**

Consultant - Agreement

- **Name of Consultant - Business or organization**
- **Rate of pay**
- **Period of performance**
- **Description of service to be provided**
- **Cost information on indirect costs, travel (per diem rates), supplies other expenses**

Consultant - Invoice

- **Consultant Name - Organizations**
- **Rate charged and time worked - hourly or daily rate**
- **Short description of services provided**
- **Include all hours (example - preparation time & response time for speakers)**

Sub-awards & Sub-Recipients

Characteristics indicative of a Federal award received by a subrecipient :

- Has its performance measured against whether the objectives of the Federal award are met;

- Has responsibility for programmatic decision making;

- Has responsibility for adherence to applicable Federal program compliance requirements

Sub-recipient Monitoring

– **System in place**

  -"risk based approach" encouraged

– **Evidence University is monitoring subawards**

– **Technical, Financial, and Compliance reviews**

Prime Awardee Responsibilities

- **Determining that the amount paid is reasonable for the work performed**
- **Some form of pre-award analysis should be documented:**
  - cost
  - price analysis

Flow Through Provisions

- **Audit & access to records**
  - **Prime Awardee – perform on site technical & administrative reviews**
- **Cost Principles**
  - **2 CFR 225 (A-87)**
  - **2 CFR 230 (A-122)**
  - **2 CFR 220 (A-21)**
  - **FAR**
- **Administrative Requirements**
  - **2 CFR 215 (A-110)**
  - **45 CFR Part 602 ("The Common Rule" A-102)**
- **Statutory & Regulatory**
  - **COI, human subjects,**
  - **drug-free workplace, etc.**

Prime Pre-award

Ensure that the subawardee:

- – Ability to perform both technically and administratively (project cost accounting system for cost reimbursement)
- – Financial capability to perform
- – Appropriate indirect cost rate & base
- – Not Debarred or Suspended by Federal Government (www.epls.gov)

Subrecipient OMB A-133 Audits

- **Receive OMB A-133 audit reports or access Federal Audit Clearinghouse data by CFDA number to determine if there are findings if organization expended more than $500,000 in total Federal funds in that awardees fiscal year**

- **http://harvester.census.gov/sac/**

- **Resolve those findings that apply to your sub-contract, if any.**

Keys to Success for Awardees

- Know requirements (award letter, award terms and conditions, OMB Circulars)

- Good accounting practices – accumulation & segregation of costs

- Focus on the objectives of the project/program

- Document approvals and conversations between the awardee and NSF program and grant officials

The Audit Process:

- **Office of Inspector General (OIG) performs audits under Auditing Standards 'yellow book'**

- **NSF management resolves audit findings on audit reports referred to it for resolution the OIG**

- **Cost Analysis and Audit Resolution Branch (CAAR) represents NSF management in this regard, and, in doing so we are involved in the following activities:**

  - We are experts in interpreting OMB Circulars

  - We coordinate with NSF Program Managers

  - We coordinate with NSF Grants and Contracting Officers & Specialists

  - We coordinate with NSF Finance Staff

Where can I get information on-line?

- **General**
  http://www.nsf.gov

- **Division of Institution & Award Support**
  http://www.nsf.gov/bfa/dias/index.jsp

- **Cost Analysis & Audit Resolution**
  http://www.nsf.gov/bfa/dias/caar/index.jsp

- **Policy Office**
  http://www.nsf.gov/bfa/dias/policy/index.jsp