

# **Oversight and Monitoring:**

**The National Science Foundation (NSF) Gold Standard Model**

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Accountability in Science Funding

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# Ask Us Early, Ask Us Often!!

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# Oversight and Monitoring of Awards at the National Science Foundation

- ▶ NSF Gold Standard Model for Monitoring and Business Assistance
- ▶ Common Areas of Concern
- ▶ Case Study in Excellence – A Best Practice in Successful Outcomes

# The Story Begins – Emphasis on Stewardship of Federal Funds

- Governmentwide Emphasis on Stewardship
- Important to Recognize the System the Government already has in place
- Consider How to Supplement this System with Additional Monitoring

# NSF's Gold Standard Program for Monitoring & Business Assistance

- 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

# Risk Assessment and Award Monitoring

- Purpose - Stewardship of Federal Funds
- Understand Human Nature – reluctance in having awards identified as “High Risk”
- 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, DGA, DCCA & DFM input

# Post Award Monitoring & Business Assistance Program Site Visits

- Each year we lead a number of site visits
- Locations to visit are determined based on risk assessment of the active award portfolio and on program or administrative input
- 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 Gold Standard Program for Award Monitoring & Business Assistance**

- 1) Risk Assessment
- 2) Site Visit Schedule
- 3) Pre Site Visit Activities Include Consultation with Program Officers
- 4) On-Site Review Modules
- 5) Post Site Visit Follow-up
- 6) Annual Review & Modifications

# **Compliance & Common Areas of Concern**

- ➔ **Time and Effort Reporting**
- ➔ **Participant Support**
- ➔ **Consultants**
- ➔ **Subrecipient Monitoring**
- ➔ **Cost Sharing**

# 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

# OMB Circular 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 Circular 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.

### 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 (not employees – exception school districts – teacher training)
- Stipends, subsistence allowance, travel, registration fees, copies, tuition
- Funds approved in the budget may not be re-budgeted to other expense categories without 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 [Article 7](#)).

The prior approval requirements identified above (as well as other types of award related notifications stipulated in [GPM Exhibit III-1](#)) must be submitted electronically to NSF through use of the NSF FastLane system at <https://www.fastlane.nsf.gov>.

# 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

# Participant Support

- If reallocated – did NSF PO approve in writing?
- Policies and procedures for determining what were the participant support costs (copies of handouts from the a workshop?)
- If award still active explain change to PO – example – 50 people sought for workshop only 30 were interested – increased stipend?

# Consultants

- Technical advice & support – work under awardee organization's direction (generally not responsible for a deliverable)
- Reasonableness of consultant rate of pay – NSF maximum rate – as of March 15, 2006 has been eliminated BUT ONLY on new awards or new increments – if you have a standard grant funded with an earlier appropriation the maximum rate still applies

# 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-Recipient Monitoring

- ▶ Vendor – “off the shelf” technical services
- ▶ Subcontractor – responsible for piece of the work

# Sub-awards & Sub-Recipient Monitoring

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



# Vendors

**Payment for goods and services.** Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

- (1) Provides the goods and services within normal business operations;
- (2) Provides similar goods or services to many different purchasers;
- (3) Operates in a competitive environment;
- (4) Provides goods or services that are ancillary to the operation of the Federal program; and
- (5) Is not subject to compliance requirements of the Federal program.

# NSF Expectations

- ▶ System in place for monitoring subrecipients – “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 cost or price analysis should be documented
- Cost Analysis – review of individual elements of cost - Indirect Cost rate used
- Price Analysis – comparison of different offers if adequate competition

# Prime Pre-award Procedures

- 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

# Flow Through Provisions

- Audit & access to records
- Prime awardee – perform on site technical & administrative reviews
- Cost Principles (A-87, A-122, A-21, FAR)
- Administrative Requirements (A-110, A-102 – “The Common Rule”)
- Statutory & Regulatory – COI, human subjects, drug-free workplace, CA-1 Article 8

# 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 subcontract if any

# NSF Cost Sharing – Initial Implementation of Revised Policy

- New Policy – Approved by NSB (NSB-04-157)
- Eliminates Program-Specific Cost Sharing
- Requires Only the Existing NSF Statutory 1% for Unsolicited Proposals (aggregate or award)
- Previously Issued Program Solicitations with Cost Sharing Requirements Remain Valid unless Formally Amended
- Effective for Program Solicitations Issued after 10/14/2004
- Formal Implementation will be forthcoming in an Important Notice
- Cost Sharing Commitments in Current Awards Remain Unchanged

# Before the Latest Policy Change: Cost Sharing Reflected on Line M

- ▶ Line M is the amount subject to audit by OIG
- ▶ NSF Statutory 1% was not reflected on Line M
- ▶ Any cost sharing proposed & accepted under an award prior to the policy change is still required to be provided by the awardee



# NSF Cost Sharing

- ▶ Possible Consequences in the Event of Failure to Provide Cost Sharing noted on Line M
  - Disallowance of award costs
  - Refunding of award funds
  - Possible Termination of Award
  - Serious violations could even result in debarment or suspension

# NSF Cost Sharing

## ➤ Examples of Audit Findings

- Accounting System not capturing cost sharing
- Inadequate documentation
- Unclear Valuation of In-Kind Donated Contributions
- Lack of Support for subawardee cost sharing – a subrecipient monitoring issue
- Failure to complete Annual and Final Certifications for Cost Sharing of \$500k+

# OMB A-110 Cost Sharing

## \_.23(a) Cost Sharing Must Meet ALL of these Criteria

- ➔ Verifiable from recipient's records
- ➔ Not included as contributions for any other federally assisted project or program
- ➔ Necessary & reasonable for proper and efficient accomplishment of project or program objectives
- ➔ Allowable under the applicable cost principles
- ➔ Not paid by Federal Government under another award
- ➔ Provided for in approved budget
- ➔ Conform to provisions of this Circular

# Cost Sharing Audit Issues

- ▶ Cost Sharing “At Risk” if award still active or “Questioned” if award expired
- ▶ Percentage of total project cost and proportionate offset to NSF funded share is amount of disallowance if inactive
- ▶ Types of cost sharing initially promised as it relates to scope of work award objectives – was it necessary and reasonable?

# Cost Sharing Audit Issues

- Accounting System – separate account for C/S or same account as NSF funded portion (sub-accounts)
- Segregation from Department and General accounts - project or program specific accounts
- Valuation and documentation for 3rd Party C/S – donated software, services, old equipment
- Due credits – Educational & Volume discounts

# How does NSF Management work with the OIG when resolving audit findings?

- NSF management resolves audit findings on audit reports referred to it for resolution by the Office of Inspector General (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

# Monitoring & Business Assistance

## A Case Study In Excellence – A Best Practice in Successful Outcomes

- Risk Assessment Model
- Small, Non-profit Company
- 1. New Awardee to NSF
- 2. Large Award Amount
- 3. Participant Support Costs
- 4. Subaward Amounts

# Pre-visit Observations

- Solicited programmatic input from the NSF program manager.
- Cost Analysis & Audit Resolution (CAAR) assessment of risk factors and general observations.



# On-Site Review

## ➤ Core Areas

1. General Management
2. Accounting & Financial System
3. Expenditure Reconciliation

# On-Site Review

- Targeted Areas
  1. Time & Effort Reporting
  2. Consultants
  3. Participant Support Costs
  4. Subaward Monitoring

# Time Line

- Pre-visit assessment 10/10/05-10/21/05
- On-Site 10/25/05-10/28/05
- Formal Recommendation Letter  
12/28/05
- Formal Company Response 2/15/06
- Follow-up - Ongoing

# BFA Large Facilities Office (LFO) & Division of Contracts and Complex Agreements (DCCA)

## Total Business System Reviews

- Total Business System Reviews (TBSRs) performed by teams – effort is led by DCCA and LFO
  - Federally Funded Research and Development Centers (FFRDCs)
  - Major Research Equipment and Facilities Construction (MREFC)
- Contact Points
  - Wayne Thomas – LFO – [wthomas@nsf.gov](mailto:wthomas@nsf.gov)
  - Bart Bridwell – DCCA – [bbridwel@nsf.gov](mailto:bbridwel@nsf.gov)

# 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

# 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>