

Compliance Issues

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NSF Regional Grants Conference



Ask Early, Ask Often!

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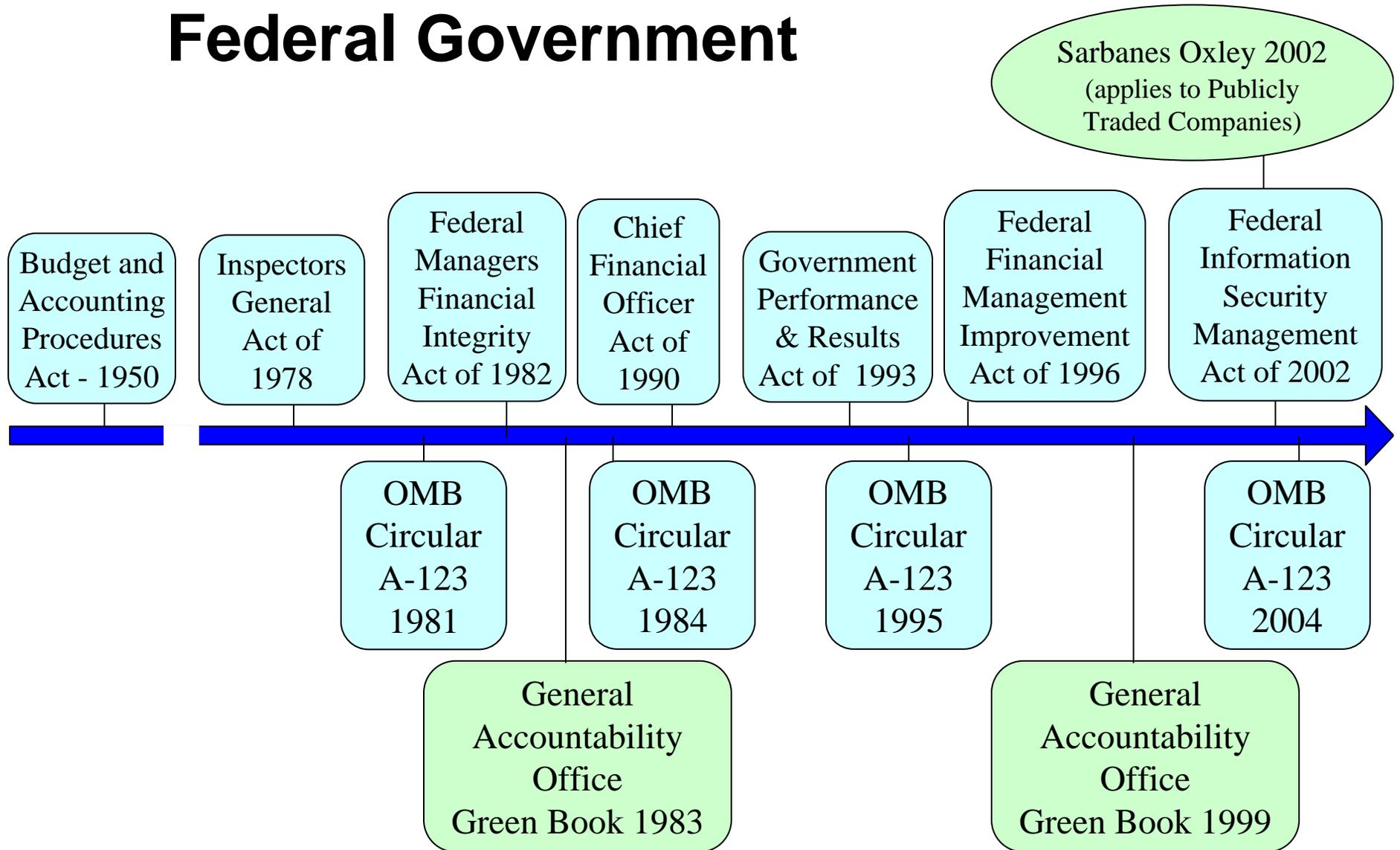
Oversight and Monitoring of Federal Awards

- Overall Federal Context for Oversight
- Emphasis on Stewardship of Federal Funds
- NSF Gold Standard Model for Monitoring and Business Assistance
- Compliance & Common Areas of Concern
- Case Study in Excellence – A Best Practice in Successful Outcomes

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





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

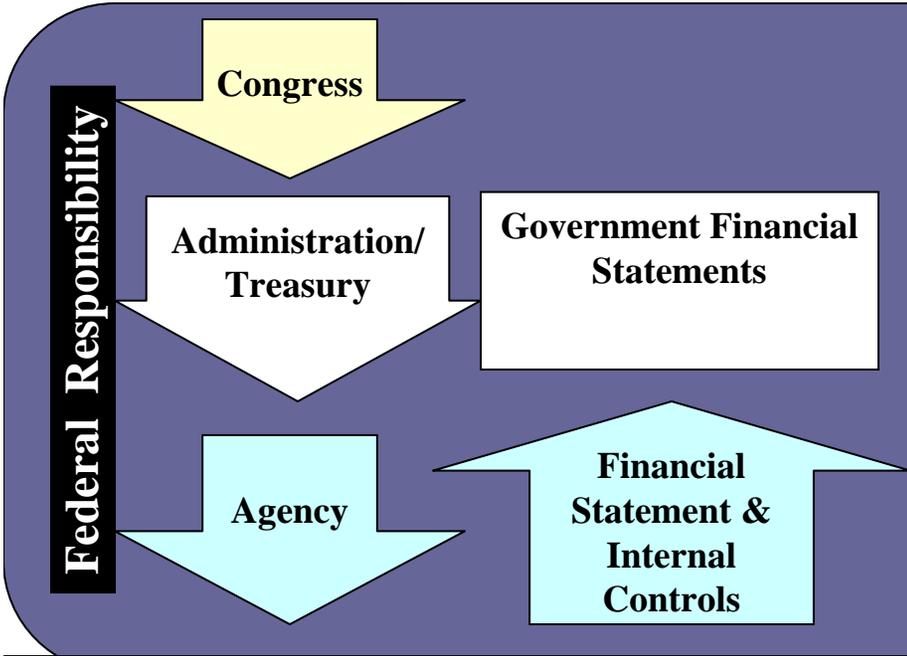
Compliance

- Helps maintain compliance with laws and regulations through periodic monitoring

\$ Funding Flow \$

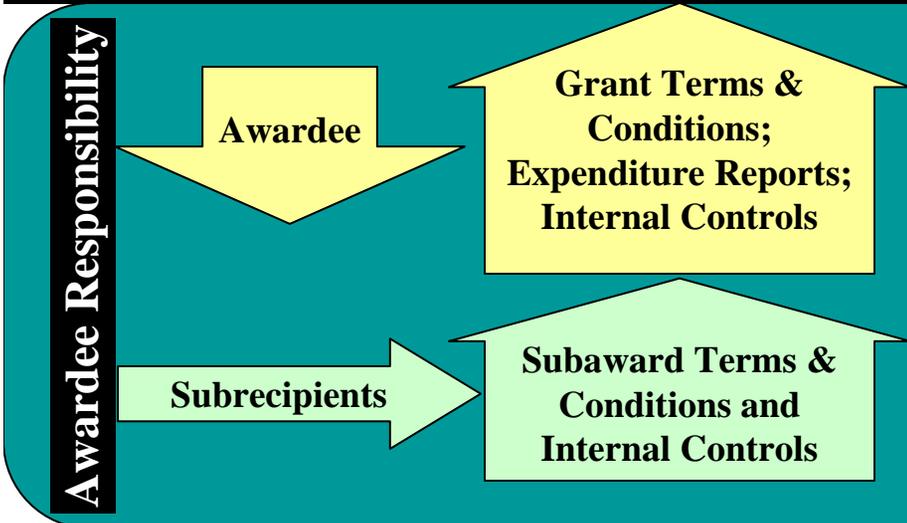
US Gov't Control Environment

Other Control Environment



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



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

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

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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

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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

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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

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Cost Analysis & Audit Resolution (CAAR) 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

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A Summary of the NSF Gold Standard Program for Award Monitoring & Business Assistance

- 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

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Compliance & Common Areas of Concern

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

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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 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 [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)

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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

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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

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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

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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

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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

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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
 - Mark Coles – LFO – mcoles@nsf.gov
 - Bart Bridwell – DCCA – bbridwel@nsf.gov

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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>

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