NSF Regional Grants Conference

Compliance Issues

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

- **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**
- **Sarbanes Oxley 2002 (applies to Publicly Traded Companies)**

- **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
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
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
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
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 AAG, Chapter V.B.8).

- The prior approval requirements identified above (as well as other types of award related notifications stipulated in AAG, Exhibit II-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 awardee’s fiscal year
- [http://harvester.census.gov/sac/](http://harvester.census.gov/sac/)
- Resolve those findings that apply to your subcontract if any
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 10/10/06 - 10/21/06
- On-Site 10/25/06 - 10/28/06
- Formal Recommendation Letter 12/28/06
- Formal Company Response 2/15/07
- 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
  – Mark Coles – LFO – mcoles@nsf.gov
  – Bart Bridwell – DCCA – 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