

# NSF Regional Grants Conference

## Compliance Issues



Hosted by: Portland State University  
Portland, Oregon  
October 22-23, 2007

# Ask Early, Ask Often!

Name	Title	Contact
<b>Alex Wynnyk</b>	Branch Chief, Cost Analysis & Audit Resolution Branch, Division of Institution & Award Support (DIAS)	<a href="mailto:awynnyk@nsf.gov">awynnyk@nsf.gov</a> <b>(703) 292-4472</b>

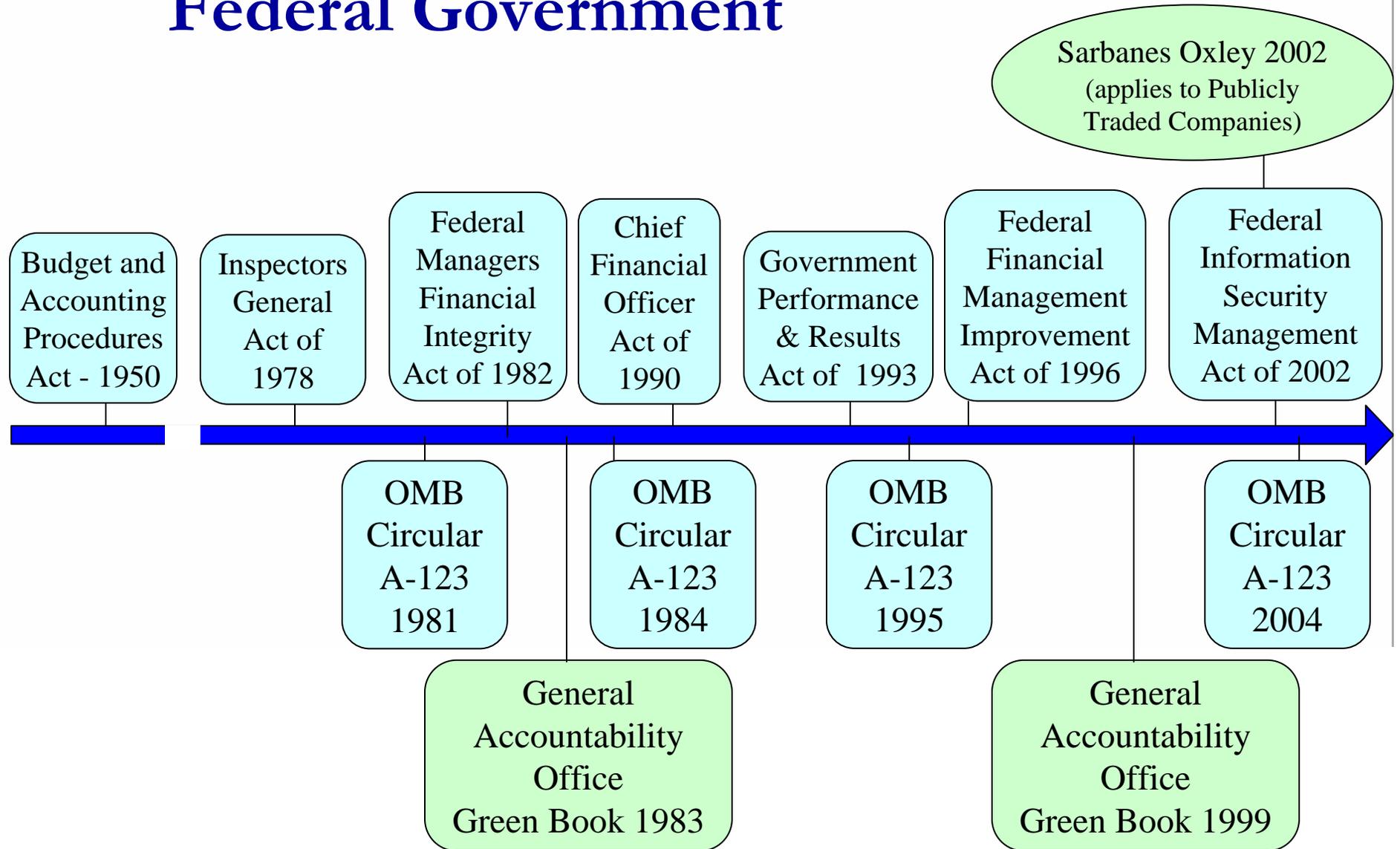


# Oversight and Monitoring of Federal Awards

- **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



# 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

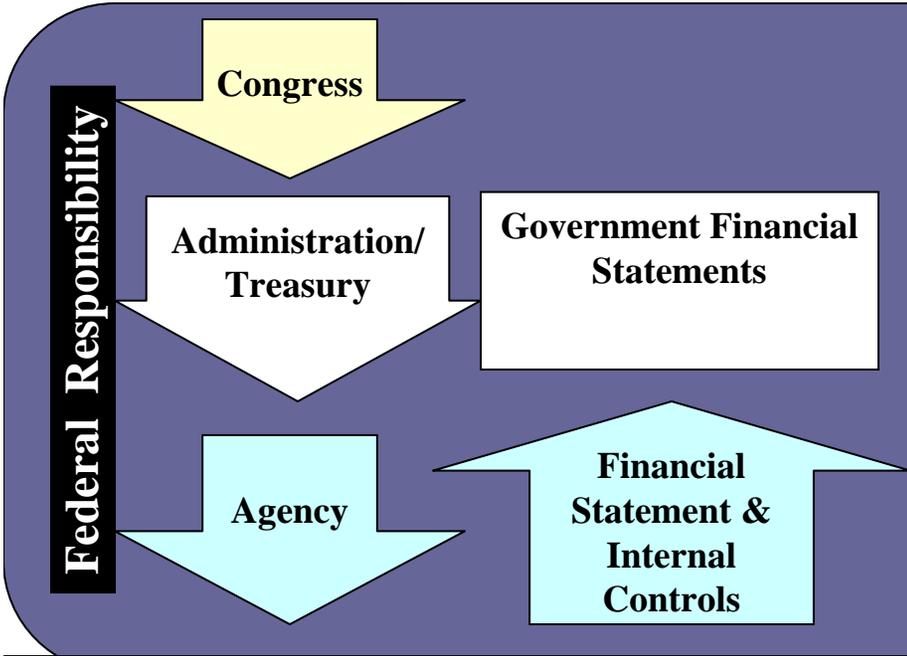
## Compliance

- Helps maintain compliance with laws and regulations through periodic monitoring

# \$ Funding Flow \$

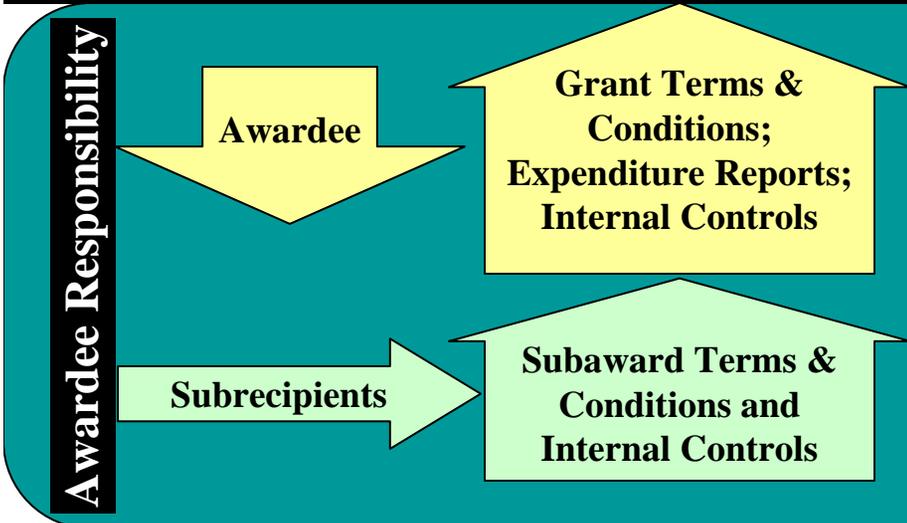
## US Gov't Control Environment

## 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**



# 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 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.).
- 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 awardees fiscal year
- <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](mailto:mcoles@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>

