

Compliance Issues

NSF Regional Grants Conference

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Hosted by: **The University of South Florida**

Ask Us Early, Ask Us Often!!

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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

OMB A-110 Cost Sharing (23b-f)

- b) Unrecovered IDC's may be included as part of cost sharing **only with the prior approval** of the awarding agency
- c) Values for contributions of services and property shall be established in accordance with applicable cost principles
- d) Volunteer services may be counted as cost sharing if the service is integral & necessary part of the approved project or program
- e) When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employees regular rate of pay (plus fringe, not overhead)
- f) Donated supplies shall not exceed the Fair Market Value (FMV) at the time of the donation

OMB A-110 Cost Sharing (23g)

- g) The method used for determining cost sharing or matching for donated equipment, buildings or land for which title passes to the recipient may differ according to the purpose of the award, if (1) or (2) apply
- 1) Award purpose to assist the recipient in the acquisition of equipment, buildings or land - the total value of the donated property may be claimed as cost sharing
 - 2) Award purpose to support activities that require the use of equipment, buildings or land - normally only depreciation or use charges for equipment and buildings may be made
 - ❖ However, full value may be allowed, provided that the awarding agency has approved the charges

OMB A-110 Cost Sharing (.23h)

Cost Sharing - Valuation

- Donated Space – Fair rental value by independent appraisal
- Property / Facilities – Certified value or Fair Market Value (FMV)
- Services – Employee similar rate of pay plus FB or Third Party regular rate of pay plus FB
- Supplies – FMV

OMB A-110 Cost Sharing (.23h)

Cost Sharing - Valuation

- In-Kind or Third Party – Volunteer services – documented and supported
- Services, material, equipment – basis for valuation documented
- Recommend – in house valuation for large donations of Cost Sharing amounts

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

Cost Sharing Examples – NOT!!

What not to do!

- “Hits” on a web page valued at NSF daily Consultant rate limit based on computer count
- Obsolete engineering software valued at list without being used on project
- Awardee proposed student work study stipends for engineering graduates but instead claimed computer equipment that was outside scope of award

Subrecipient Monitoring

- Difference between subrecipient (contract) and vendor (purchase order)
- Difference between fixed price and cost reimbursement
- Difference in subawardee institutions – know what Cost Principles apply

NSF Expectations

- ▶ System in place for monitoring subrecipients – “risk based approach” encouraged
- ▶ Evidence University is monitoring subawards
- ▶ Technical, Financial, and Compliance reviews

Subrecipient Monitoring

- Typically in place at awardee organizations:
 - Check to see if A-133 report received and address findings as required
 - Invoices from subawardee sent to Program (PI) and signed off on as reviewed/approved
 - Final Report or deliverable provided
 - Payment made

A-133 Subpart C #300

Auditee Responsibilities

- Identify Federal awards received & Expended – CFDA, dollars expended, program, agency
- Internal Controls & Compliance
- Ensure Audit Reports received
- Follow-up and take Corrective action

A-133 Subpart D #400

Pass through Entities

- Identify Federal awards received & Expended – CFDA, dollars expended, program, agency
- Advise Subrecipients of Federal & Contractual requirements
- Monitor the activities of subrecipients as necessary to ensure funds are used for authorized purpose in compliance with award terms and conditions & that performance goals are achieved

A-133 Subpart D #400

Pass through Entities

- Ensure subrecipients have complied with the requirement to have an A-133 audit
 - \$500,000 in federal expenditures for in fiscal years ending after 12/31/03 – before, it was \$300,000
- Issue management decision & take corrective action (may require adjustment to financial records)
- Require subrecipient to permit the pass-through entity access to records and financial statements as necessary for the pass-through entity to comply with this part

A-110 – Procurement Standards #40-48

Prime Awardee

- Codes of conduct and Conflict of Interest – written policy required if more than 500 employees
- Competition - free and open - encouragement of small, minority, and woman owned businesses
- Use responsible contractors only – check the debarment and suspension list

A-110 – Procurement Standards – Prime Awardee

- ➔ Cost and Price Analysis – all actions
- ➔ Procurement records – selection, justification less than full and open competition, basis for award and cost or price
- ➔ Contract Provisions – termination, access to records, flow thru terms and conditions (T&C)

A-110 Procurement Standards – Prime Awardee

- Contract Administration – maintain a system for contract administration
 - Conformance with terms, conditions and specifications
 - Ensure adequate and timely follow up on all purchases
- Recipients shall evaluate contractor performance
 - Document whether terms, conditions and specifications were met

OMB Circular A-133 Compliance Supplement – Subrecipient Monitoring

- ▶ During Award Monitoring – review financial and performance reports, regular contact, appropriate inquiries, possible site visits
- ▶ Risk based approach – program complexity, dollar amount, percentage passed through, type of subrecipient

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 Officers & Specialists
 - We coordinate with NSF Finance Staff

Cost Analysis & Audit Resolution (CAAR)

How might you interact with us?

- CAAR provides information as an advisor – have questions or need assistance concerning financial or administrative issues? – ask us early, ask us often!!
- CAAR participates in programmatic and financial reviews
- CAAR leads post award monitoring & business assistance visits
- CAAR participates in outreach seminars

Cost Analysis & Audit Resolution (CAAR) Post Award Monitoring & Business Assistance Program Site Visits

- Increased emphasis on federal award oversight and accountability throughout the federal government
- NSF has developed a Gold Standard Program for Post Award Monitoring and Business Assistance
- Purpose of the visits
 - Proactively review awardee general financial and management systems
 - Assure NSF that awardees understand and comply with requirements of award agreement & Federal regulations
- Visits are not audits, rather provide an opportunity for NSF to provide business assistance as needed

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 a risk assessment of the active award portfolio
 - Objective criteria
 - Subjective criteria
- 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

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
 - Bart Bridwell – DCCA – bbridwel@nsf.gov

Keys to Success

- 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>