



**National Science Foundation
National Science Board - Audit and Oversight Committee
Fiscal Year 2015 Financial Statements Audit Plan**



Topics to Review



- A. Engagement Team & Scope
- B. Audit Plan & Timeline
- C. Information Technology (IT) Procedures
- D. Communications
- E. Final Comments and Questions

A. Engagement Team & Scope

1. Key Members of Engagement Team

a) Partners - Sal Ercolano (overall responsibility),
George Fallon (IT), and Pat Byer (Quality Control Review)

a) Managers

- Financial – Lisa Noh and Gary Ling
- IT – Jeff Zalusky

2. Overall Scope of Work – Conduct audit of NSF's Financial Statements for the fiscal year (FY) ended September 30, 2015, and specialized Information Technology audit services, in accordance with professional guidance from AICPA, GAO, OMB and certain laws and regulations.

A. Engagement Team & Scope (cont'd)

3. Reports to Be Issued

- a) Combined Audit :
 - Opinion on Financial Statements,
 - Report on Internal Control,
 - Report on Compliance with Laws & Regulations, and
 - Report on Other Information.
- a) Government-wide Audit Support – Opinion on Closing Package Financial Statements.
- b) IT Security Program Audit – Pursuant to Federal Information Security Management Act (FISMA).
- c) Management Letter – Internal Control Matters Not Considered a Material Weakness or other Significant Deficiency.

B. Audit Plan & Timeline

1. Planning Phase *(March – May):*

- a) Evaluate new developments at NSF:
 - System Conversion (iTRAK) @ 10/1/14 (FY 2015),
 - Impact on FY 2015 accounting and audit processes, and
 - Other matters.
- b) Evaluate changes in professional audit & accounting guidance, and new accounting policies at NSF.
- c) Evaluate Antarctica site visit results *(financial accounting oriented)*.
- d) Develop audit plan and evaluate feedback provided by OIG.

B. Audit Plan & Timeline (cont'd)

2. Internal Control & Compliance Testing Phase (May – August):

- a) Evaluate and test reliability of accounting systems and processes, and determine compliance with certain laws and regulations.
- b) Evaluate NSF's implementation of its Process Improvement Plan (PIP) and Corrective Action Plan (CAP) relating to FY 2014 Internal Control Findings:
 - Audit Report (PIP) Significant Deficiencies - Group meetings already held:
 - Monitoring of Construction Type Cooperative Agreements (*with contingency cost funding*):
 - Examine documentation supporting Dr. Buckius Resolution Memo
 - Review NSF's procedural changes
 - Consider OIG FY 2015 audit reports
 - Grant Accrual Accounting Estimation Process:
 - New accounting estimation approach for FY 2015
 - Key Management Letter (CAP) Deficiencies:
 - Monitoring of Cost Reimbursement Contracts
 - Various Information Technology matters

B. Audit Plan & Timeline (cont'd)

3. Substantive Testing Phase – Tests of the Financial Statement Amounts and Related Information *(July – October):*

- a) Detailed testing of material account balances at 6/30 and 9/30.
- b) Determine completeness of financial statements and note disclosures (OMB Circular A-136).

4. Reporting Phase – Issue Audit and Other Reports

(October – December):

- a) NSF's Agency Financial Report (AFR) is due to OMB by November 16, 2015.
 - Includes CLA's Audit Report
- b) Closing Package Audit Report.
- c) FISMA Evaluation Report.
- d) Management Letter *(less significant financial and IT internal control matters)*.

C. Information Technology (IT) Procedures

1. Support financial statement audit process.
2. Separate engagement to determine/report on compliance with Federal Information Security Management Act of 2002 (FISMA).
 - a) Met with A&O Chair and NSF management in March 2015 to discuss FY 2014 report findings and resolution action plan.
3. Use guidance provided by:
 - a) GAO Federal Information Systems Controls Audit Manual(FISCAM).
 - b) National Institute of Standards and Technology (NIST).
 - NIST also includes guidance on identifying and evaluating vulnerability assessment risks, and performing penetration testing.

D. Communications

1. Engagement Letter provided to those charged with governance.
2. Active involvement by OIG.
3. Discuss findings and recommendations with NSF management throughout the audit.
 - Meetings already held on FY 2014 Cooperative Agreement and Grant Accrual control deficiency items.
4. Communicate periodically with the NSB's Audit & Oversight Committee.
5. Provide draft reports for discussion and agreement of facts.
6. Issue final reports.
7. Representations obtained from management at the end of the audit.
8. Be available to the NSF management and OIG throughout the year.

E. Final Comments

1. Matters that could impact audit process and results:
 - a) iTRAK system conversion at October 1, 2014
 - Evaluate implementation of new processes and related impact on CLA's audit processes.
 - b) Resolving prior year Significant Deficiencies in internal control.
 - c) Providing adequate resources to support the FY 2015 Financial Statements audit and maintain an unqualified opinion.

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Questions?

