



**National Science Foundation
National Science Board Audit and
Oversight Committee
Fiscal Year 2016 Audit Results**



**KEARNEY &
COMPANY**

February 21, 2017

Presented by Phil Moore (IT Partner)

- Scope and Results
- Status of Prior Year Reportable Conditions
- Looking Forward
- Engagement Team
- Appendix A: Levels of internal control findings
- Appendix B: Current Year Notifications of Findings and Recommendations (NFR)

Engagement Scope of Work:

- Conducted an audit of the National Science Foundation's (NSF) financial statements and Governmentwide Financial Report System (GFRS) Closing Package for the fiscal year (FY) ended September 30, 2016
- Assessed NSF's information technology (IT) control activities based on the Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM) with IT controls related to the generation of financial statements
- Performed review of IT security programs through a FISMA evaluation over NSF's information systems:
 - Prepared responses to the *Department of Homeland Security's (DHS) FY 2016 Inspector General (IG) [Federal Information Security Management Act of 2002] FISMA Reporting Metrics*, which were utilized to enter metrics for CyberScope reporting

Results of Work:

- Independent Auditor's Report
 - Unmodified opinion on the NSF's FY 2016 financial statements
- Independent Auditor's Report on Internal Control Over Financial Reporting
 - One significant deficiency – IT access controls
- Report on Compliance and Other Matters
 - No instances of noncompliance
- Report on Closing Package
 - Unmodified opinion on the NSF's Year-End Closing Package (GFRS)
 - One significant deficiency – IT access controls

Results of Work (cont'd):

- Performed review of IT security programs through a FISMA evaluation over NSF's information systems:
 - Prepared responses to *DHS's FY 2016 IG FISMA Reporting Metrics*, which were utilized to enter metrics for CyberScope reporting
- IT significant deficiency on access controls:
 - Access for two feeder systems at the application layer in the audit was not properly authorized and recertified
 - Privileged users' actions with the operating system and database layers for its core financial system and a feeder system were not properly monitored

Significant Deficiency:

- Monitoring of Construction Type Cooperative Agreements
 - Significant progress was made in the implementation of the recommended corrective action plans
 - Although, this finding was downgraded to a control deficiency, NSF still has room to improve the monitoring of the use of contingency funds (modified repeat issued as NFR #6)

Non-Compliance with Laws and Regulations:

- Non-Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) Reporting Requirements in Fiscal Year 2014 Agency Financial Report (AFR)
 - NSF has performed all requirements of IPERA and reported appropriately in the FY 2015 AFR

- Conduct lessons learned meeting regarding the financial audit.
A lessons learned meeting was already conducted regarding IT.
- Develop corrective action plans (CAP) for the significant deficiency recommendations
- Consider development of CAPs for Management Letter comments so they do not become future significant deficiencies

Key members of the FY 2016 Engagement Team:

- Partners/Principals
 - David Zavada, CPA – Engagement Partner (Overall Responsibility)
 - Phil Moore, CPA, CISA, PMP – IT Partner
 - Kelly Nichols, CPA – Quality Control (QC) Principal
- Team Lead
 - Sarah Allen, CPA, CGFM, CISA – Financial Audit Lead
- Audit Manager
 - Marcos Vigil – Financial Audit Manager
- IT System Specialists
 - Umar Aziz, CISA, PMP – IT Audit Manager
 - Beni Venkatesan, CPA, CISA – IT Manager
- Senior Auditors
 - Nupur Moondra – Financial Senior Auditor

Questions?

Results of Work:

- Levels of internal control findings
 - **Material weakness** – is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
 - **Significant deficiency** – is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.
 - **Deficiency** (Management Letter comment) – findings and recommendations for improvements in internal control, which were identified during the audit, but were not required to be included in the auditor's report on internal control over financial reporting or report on compliance and other matters.

NFRs Issued (Financial):

- NFR #1 – Payroll Personnel Actions
- NFR #2 – Related Parties Disclosure
- NFR #3 – Monitoring and Oversight over Undelivered Orders
- NFR #4 – Grant Accrual
- NFR #5 – Property Acquisitions and Disposals
- NFR #6 – Contingency Funds
- NFR #7 – Intragovernmental Differences
- NFR #8 – Duplicate Obligation and Improper Expense
- NFR #9 – Monitoring of Cost Reimbursement Contracts

NFRs Issued (IT FISCAM):

- NFR #1 – iTRAK Segregation of Duties Review of Access
- NFR #2* – WebTA Provisioning of Access
- NFR #3 – WebTA Review of Interior Business Center (IBC) for Service Organization
- NFR #4 – Monitoring of iTRAK Configuration Controls
- NFR #5* – Monitoring and Reviewing of iTRAK Operating System and Database
- NFR #7* – Awards New User Access
- NFR #8* – Monitoring of Awards Operating System and Database Audit Logs
- NFR #9* – Awards Application Review of Access
- NFR #10 – iTRAK System Security Plan (SSP)

* Included as part of the IT significant deficiency on access controls

NFRs Issued (IT FISMA):

- NFR #1 – NSF Has Not Ensured Security Vulnerabilities Are Remediated in a Timely Manner
- NFR #2 – Ineffective Controls over NSF Privileged Account Access
- NFR #3 – United States Antarctic Program (USAP) Accreditation Packages
- NFR #4 – USAP Assessment and Authorization (A&A) Interconnection Security Agreements (ISA)
- NFR #5 – USAP (USAP) Contingency Planning (Denver Facility)