



**National Science Foundation
National Science Board Audit and
Oversight Committee
Fiscal Year 2017 Audit Results**



**KEARNEY &
COMPANY**

February 21, 2018

Presented by David Zavada (Senior 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 Government-wide Financial Report System (GFRS) Closing Package for the fiscal year (FY) ended September 30, 2017
- 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 2017 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 2017 financial statements
- Independent Auditor's Report on Internal Control Over Financial Reporting
 - No material weaknesses
 - No significant deficiencies
- 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)
 - No material weaknesses
 - No significant deficiencies
- Report on NSF's Information Security Program for FY 2017 (FISMA report):
- Prepared responses to *DHS's FY 2017 IG FISMA Reporting Metrics*, which were utilized to enter metrics for CyberScope reporting

FY 2016 Significant Deficiency:

- Information Technology Control Environment
 - In FY 2016, Kearney identified 5 weaknesses across 3 financial systems, which collectively represented a significant deficiency in NSF's access control process:
 - **NFR #2** – WebTA Provisioning of Access (Closed)
 - **NFR #5** – Monitoring and Reviewing of iTRAK Operating System and Database (Closed)
 - **NFR #7** – Awards New User Access (Modified Reissue)
 - **NFR #8** – Monitoring of Awards Operating System and Database Audit Logs (Modified Reissue)
 - **NFR #9** – Awards Application Review of Access (Closed)
 - During FY 2017, NSF took corrective actions to close 3 of the 5 issues noted above and partially close the remaining 2. Kearney downgraded the significant deficiency to a control deficiency (management letter comment) for the still-open issues

- Plan and implement corrective actions for Management Letter comments so they do not become future significance deficiencies
- Begin preparation for the rescheduled/upcoming IT and Financial Antarctic trip (estimated for November 2018).

Key members of the FY 2017 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
 - Sarah Allen, CPA, CGFM, CISA – Financial Audit Principal
 - Elizabeth Lang, CPA, CGFM – Financial Audit Principal
- Team Leads
 - Marcos Vigil – Financial Audit Lead
 - Umar Aziz, CISA, PMP – IT Audit Lead
- Audit Manager
 - Nupur Moondra – Financial Audit Manager

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 (Modified Reissue)
- NFR #2 – Monitoring and Oversight over Undelivered Orders (Modified Reissue)
- NFR #3 – Property Acquisition and Disposals (Modified Reissue)
- NFR #4 – Insufficient Approval and Untimeliness of Travel Vouchers (New)
- NFR #5 – Insufficient Monitoring over Grant Post-award Procedures (New)
- NFR #6 – Related Parties Disclosure (Modified Reissue)

NFRs Issued (IT FISCAM):

- NFR #1 – Active Directory User Account Termination (New)
- NFR #2 – Awards Application New User Provisioning (Modified Reissue)
- NFR #3 – Monitoring of Awards Operating System and Database Audit Logs (Modified Reissue)
- NFR #4 – WebTA Account Management (Modified Reissue)
- NFR #5 – iTRAK Security Configurations and Monitoring of Audit Logs (New)

NFRs Issued (IT FISMA):

- NFR #1 – United States Antarctic Program (USAP) Business Impact Analysis (BIA) (New)
- NFR #2 – Security Configurations and Baseline Requirements (New)
- NFR #3 – United States Antarctic Program (USAP) Accreditation Packages (Modified Reissue)