

Audit of the National Science Foundation's Fiscal Years 2017 and 2016 Financial Statements

REPORT PREPARED BY KEARNEY & COMPANY

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

November 14, 2017
OIG 18-2-002





AT A GLANCE

Audit of the National Science Foundation's Fiscal Years 2017 and 2016 Financial Statements

Report No. OIG 18-2-002

November 14, 2017

AUDIT OBJECTIVE

The *Chief Financial Officer's Act of 1990*, as amended, requires that NSF's Inspector General or an independent external auditor, as determined by the Inspector General, audit NSF's financial statements. Under a contract we monitored, Kearney and Company (Kearney), an independent public accounting firm, performed the audit of NSF's FY 2017 financial statements. Kearney is responsible for the attached auditor's reports dated November 14, 2017, and the conclusions expressed therein. We do not express an opinion on NSF's financial statements or on the conclusions expressed in Kearney's reports on internal controls over financial reporting and on compliance with laws, regulations, contracts, and grant agreements.

AUDIT RESULTS

Kearney's *Independent Auditor's Report* includes an unmodified opinion on NSF's financial statements as of and for the fiscal years ended September 30, 2017 and 2016. In its *Report on Internal Control over Financial Reporting*, Kearney did not identify any deficiencies in internal control that it considers to be material weaknesses. In its *Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements*, Kearney reported that the results of its tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing*. Kearney also reported that the results of its tests of compliance with FFMIA disclosed no instances of noncompliance.

See https://www.nsf.gov/pubs/2018/nsf18020/pdf/07Chap2_Financials.pdf for the Financial Section of NSF's 2017 Agency Financial Report (AFR), which includes the audit reports. The complete AFR can be found at https://www.nsf.gov/publications/pub_summ.jsp?ods_key=nsf18020.

RECOMMENDATIONS

Kearney made no recommendations in its reports.

AUDITEE RESPONSE

NSF's response to Kearney's draft reports is attached to the report as Attachment I.

FOR FURTHER INFORMATION, CONTACT US AT (703) 292-7100 OR OIG@NSF.GOV.




NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

TO: Dr. France A. Córdova
Director
National Science Foundation

Dr. Maria T. Zuber
Chair
National Science Board

FROM: Allison Lerner 
Inspector General

DATE: November 14, 2017

SUBJECT: Audit of the National Science Foundation's
Fiscal Years 2017 and 2016 Financial Statements

This memorandum transmits Kearney & Company's reports on its financial statement audit of the National Science Foundation (NSF) for FY 2017, which includes FY 2016 comparative information.

Audit Reports on Financial Statements; Internal Control over Financial Reporting; and Compliance with Laws, Regulations, Contracts, and Grant Agreements

The *Chief Financial Officer's (CFO) Act of 1990* (P.L. 101-576), as amended, requires that NSF's Inspector General or an independent external auditor, as determined by the Inspector General, audit NSF's financial statements in accordance with *Government Auditing Standards (GAS)* issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Kearney & Company (Kearney) to audit NSF's financial statements as of September 30, 2017, and for the fiscal year then ended. The contract requires that the audit be performed in accordance with GAS and the Office of Management and Budget (OMB) Bulletin 17-03, *Audit Requirements for Federal Financial Statements*.

For Fiscal Year 2017 Kearney provided: (1) its opinion on the financial statements, (2) a report on internal control over financial reporting, and (3) a report on compliance with laws, regulations, contracts, and grant agreements. In its audit of NSF, Kearney:

- Found that the financial statements present fairly, in all material respects, the financial position of NSF as of September 30, 2017 and 2016, as well as NSF's net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance accounting principles generally accepted in the United States of America.



- Did not identify any deficiencies in internal control that it considers to be material weaknesses.¹
- Identified no instances of noncompliance or other matters that are required to be reported under GAS.
- Identified no instances in which NSF's financial management systems did not comply with the *Federal Financial Management Improvement Act of 1996 (FFMIA)*.

NSF's response to the draft reports, dated November 6, 2017, follows Kearney's reports.

OIG Evaluation of Kearney's Audit Performance

To fulfill our responsibilities under the *CFO Act of 1990*, as amended, and other related Federal financial management requirements, we reviewed Kearney's approach and planning of the audit; evaluated the qualifications and independence of Kearney and its staff; monitored the progress of the audit at key points; coordinated periodic meetings with NSF management to discuss audit progress, findings, and recommendations; reviewed Kearney's audit reports to ensure compliance with GAS and OMB Bulletin No. 17-03; and coordinated issuance of the audit reports.

Our review, as differentiated from an audit in accordance with GAS, was not intended to enable us to express, and we do not express, an opinion on NSF's financial statements; internal control; or compliance with laws, regulations, contracts, and grant agreements. Kearney is responsible for the attached auditor's reports, dated November 14, 2017, and the conclusions expressed therein.

Kearney's Independent Auditor's Report is meant only to be distributed and read as part of the Agency Financial Report (AFR). Also, Kearney's Independent Auditor's Report is not a stand-alone document because it refers to the AFR contents and should not be circulated to anyone other than those receiving this transmittal.

We appreciate the courtesies and cooperation NSF extended to Kearney and OIG staff during the audit. If you or your staff have any questions, please contact me or Mark Bell, Assistant Inspector General for Audits, at 703.292.7100.

Attachment

¹ A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.



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