

Message from the Assistant Inspector General for Audit

I am pleased to provide the National Science Foundation (NSF) Office of Inspector General (OIG) Audit Work Plan for fiscal year (FY) 2016. This Plan describes the three major areas for audits, inspections, and reviews in FY 2016: 1) Relocation of NSF headquarters; 2) NSF's management of large construction projects; and 3) Financial and/or program accountability. For the Plan, we solicited input from a variety of sources, including Congress, the National Science Board, NSF management, and OIG staff.

To identify higher-risk awardees to audit, and specific areas prone to misuse of NSF funds, we will continue to perform data analytics on a variety of NSF, awardee, and other external databases and sources. Data analytics increases the effectiveness and efficiency of audits, because it enables examination of 100 percent of transactions and reveals anomalies that indicate possible unallowable or unreasonable expenditures, or funds spent for awards other than those for which they were provided. We also will continue to conduct extensive outreach on our work and methodology. These efforts are especially important to institutions that are developing their own data-analytics capabilities.

To assess Financial and/or Program Accountability, we will monitor the audits of NSF's FYs 2015 and 2016 financial statements, and the independent evaluations of NSF's information security program. These audits and evaluations, which are required by law, are performed by an independent public accounting firm, whose services OIG has procured. We will also audit NSF's compliance with the Improper Payments Elimination and Recovery Act of 2010, for the period October 1, 2014, through September 30, 2015. In addition, we will perform a required triennial review of the National Science Board's compliance with the Government in the Sunshine Act of 1976; and an external peer review of another OIG Office of Audit, as required by the Controller General's *Government Auditing Standards*.

We also plan to conduct internal performance audits or inspections of four NSF programs and operations: management fees, conference spending, cloud computing, and costs associated with NSF's use of Intergovernmental Personnel Act (IPA) assignees (a follow-up analysis). In addition, the FY 2016 Plan includes audits of costs expended by NSF awardees. If resources permit, we will also conduct desk reviews of additional higher-risk awardees that are not otherwise on the Plan. Further, we will continue to review selected Single Audits to determine if they comply with applicable standards.

Although this Work Plan provides a framework for the audits, inspections, and reviews we intend to undertake in FY 2016, it is subject to change should unanticipated higher-risk issues develop in the course of the year. We need to be flexible in order to meet such other priorities. We look forward to continuing to work with NSF management and Congress in meeting our Work Plan goals.



Dr. Brett M. Baker
Assistant Inspector General for Audit

Annual Office of Audit Work Plan

FY 2016



**National Science Foundation
Office of Inspector General
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AUTHORIZATION

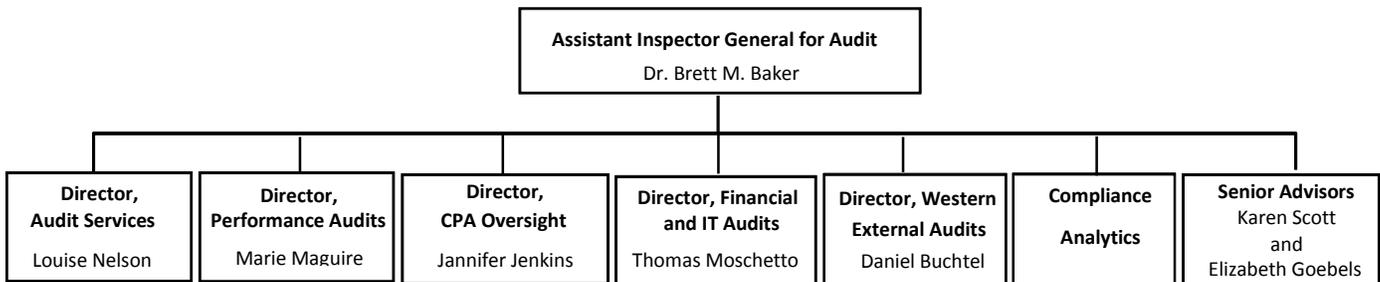
The Inspector General Act, as amended in 1988, authorizes an Office of Inspector General (OIG) for the National Science Foundation (NSF). The OIG is independent and reports directly to Congress and the National Science Board (NSB). By statute, the OIG conducts and supervises independent audits, inspections, evaluations, and investigations relating to agency programs and operations and recommends improvements that promote effectiveness and efficiency and prevent and detect fraud and abuse in such programs and operations.

OIG MISSION AND FUNCTION

Consistent with its statutory mandate and operational mission, the OIG performs an oversight role and does not engage in management activities or program operations. Its work is divided into three functional areas: 1) audits, which assess the adequacy of business systems and processes, determine compliance with federal requirements, and identify ways to improve the effectiveness and efficiency of operations; 2) investigations, which address allegations of serious wrongdoing, such as unauthorized use or theft of federal funds and property; and 3) management, legal, legislative, and external affairs, which oversees OIG administrative functions, provides legal advice, and communicates with Congress and other external stakeholders, and reports on selected NSF and National Science Board (NSB) issues.

ORGANIZATION AND FUNCTION OF THE OFFICE OF AUDIT

The Office of Audit (OA) has an experienced audit and administrative staff led by the Assistant Inspector General for Audit, as shown in the chart below:



Although the audit teams have primary areas of responsibilities, each may lead or participate in work outside of its functional area to provide greater flexibility within the Office.

TYPES OF AUDIT PRODUCTS

OA is responsible for the required annual audits of NSF's financial statements, which include reviewing the agency's controls over financial reporting, and the required annual review of its information system security. It is also required to report on agency compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). In addition, the OA

conducts internal performance audits, or other types of reviews, of agency operations and programs. It also conducts audits or reviews of external NSF projects and awards. Many audits are performed by internal OA auditors; but the Office also contracts with Independent Public Accounting (IPA) firms and government auditors to supplement its resources. These outside auditors also provide additional expertise and resources necessary to accomplish OA's varied and complex audit projects.

OIG audits, whether conducted in-house, by IPAs, or by government auditors, are performed in accordance with the Comptroller General's *Government Auditing Standards*.¹ These standards are designed to ensure the integrity and competency of the audit process and the quality of the audit report. For similar goals, inspections are performed in accordance with the Council of Inspectors General's *Quality Standards for Inspection and Evaluation*.² Unlike audits, inspections do not require testing sufficient to opine on internal controls or compliance with laws and regulations. OA also may perform non-audit services unrelated to audit work, or routine activities related to on-going or completed audits but outside their scope, that do not compromise OA's independence to conduct audits in accordance with *Government Auditing Standards*. Finally, to evaluate expenditures at awardees that are not being audited, but where there are indications of risk, the Office may perform desk reviews. These reviews include assessing policies and procedures and costs claimed; but do not involve on-site fieldwork.

SUMMARY OF FY 2016 AUDIT WORK

The table on page 4 summarizes the work that OA plans to perform in FY 2016. It should be noted, however, that the planned work is subject to change if other important issues arise during the year, as OA needs to be flexible to meet new priorities. The projects listed in the table are described in further detail later in this Plan.

The Plan has three main areas of focus:

- I. Relocation of NSF Headquarters
- II. NSF's Management of Large Construction Projects
- III. Financial and/or Program Accountability

Although NSF headquarters relocation and NSF's management of large construction projects, are subsets of financial-and-program-accountability, they are noted here separately to indicate their special importance in the FY 2016 Plan. Financial and/or Program Accountability is divided into two sections: Audits, inspections, and reviews that are mandatory, or required by professional standards; and those that are discretionary. Mandatory projects – those required by law -- include an audit of NSF's Financial Statements, an evaluation of its compliance with the Federal Information Security Management Act (FISMA), and an audit of NSF's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). In FY 2016, OA will also complete its required triennial audit of National Science Board compliance with the Government in the Sunshine Act of 1976. In addition, OA will conduct an external peer review of another

¹ *Government Auditing Standards* (2011).

² *Quality Standards for Inspection and Evaluation* (2012).

OIG Office of Audit. External peer reviews are required every three years by *Government Auditing Standards* to assess audit quality and compliance with the *Standards*.

Discretionary work includes audits, inspections, and reviews of NSF programs and operations, and financial/program audits or reviews of NSF awardees. In FY 2016, we plan four audits or inspections pertaining to NSF programs and operations: (1) NSF's oversight of the management fees it provides to selected awardees; (2) Conference Spending; (3) Cloud Computing; and (4) Costs associated with NSF's use of Intergovernmental Personnel Act (IPA) Assignees (a follow-up on OIG Report No. 13-2-008). Finally, within discretionary work, OA will determine auditors' compliance with the Single Audit Act and OMB requirements, and assess the adequacy of selected single audits.

FY 2016 Audit Work Plan

Project	Objectives
I. Relocation of NSF Headquarters	<ol style="list-style-type: none"> 1. Determine the effectiveness of NSF's controls for adhering to the NSF-required milestones and maintaining schedule. 2. Determine the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy.
II. NSF's Management of Large Construction Projects	<ol style="list-style-type: none"> 1. Determine if there are risks in MREFCs that may result in potential budget overruns, schedule delays, or limits in scientific capability. 2. Determine whether NSF is providing adequate oversight of MREFC awards.
III. Financial and/or Program Accountability	
A. Mandatory Audits and Reviews/Peer Review	
FYs 2015 and 2016 Financial Statement Audits	Express an opinion on NSF's financial statements, and report on NSF's internal controls over financial reporting and compliance with applicable laws and regulations that could have a direct and material effect on the financial statements.
FYs 2015 and 2016 FISMA Evaluations	Determine the effectiveness of NSF's information security program and practices.
NSF's Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010	<ol style="list-style-type: none"> 1. Determine if NSF is in compliance with IPERA. 2. Evaluate the accuracy and completeness of NSF's improper payment reporting in its FY 2015 Annual Financial Report (AFR). 3. Evaluate the agency's performance in reducing and recapturing improper payments.
The National Science Board's compliance with the Government in the Sunshine Act	<ol style="list-style-type: none"> 1. Determine whether the National Science Board complies with the procedural requirements of the Government in the Sunshine Act. 2. Determine whether the Board closed meetings consistent with the Act's provisions.
External peer review of another OIG Office of Audit	Determine if the reviewed OIG's Audit Organization has a system of quality control that provides it with reasonable assurance of conforming to <i>Government Auditing Standards</i> .
B. Discretionary Audits, Inspections, and Reviews	
1. NSF Programs and Operations	
Management Fees – Inspection	Assess NSF's process to negotiate and award management fees in light of its responsibility to provide for proper stewardship over federal funds.
Conference Spending	<ol style="list-style-type: none"> 1. Determine if NSF's conference spending and related reporting are compliant with NSF and OMB conference policies. 2. Determine if opportunities exist to reduce costs of conferences.
Cloud Computing-Inspection	<ol style="list-style-type: none"> 1. Determine if NSF is effectively overseeing and managing the delivery of its Cloud computing services through inventory management; development of contracts that address business and security risks as well as properly define NSF/cloud service providers'/end users' roles and responsibilities; and monitoring compliance with contractual obligations and the use of IT Cloud services. 2. Review executed contracts between agencies and Cloud service providers for compliance with applicable standards and best practices.
Costs associated with NSF's use of Intergovernmental Personnel Act (IPA) assignees (a follow-up on OIG Report No. 13-2-008)	Compare the costs of executive IPAs in 2015 to the costs of executive IPAs reported in the 2013 audit.
2. Financial/Program Audits of NSF Awardees	
Audits of Various Universities, Non-Profits, and For-Profit Entities	Determine whether costs charged to NSF awards are allowable, allocable, and reasonable, and in compliance with federal and NSF requirements.
3. Non-Federal Audits	
Review of the quality of Single Audits	Assess the audit quality of selected single audits and determine auditors' compliance with the Single Audit Act and OMB requirements.

FY 2016 AREAS OF FOCUS

The three areas of focus for FY 2016 audits are: (1) Relocation of NSF headquarters; (2) NSF's management of large construction projects; and (3) Financial and/or Program Accountability. Although these are areas that we have currently identified, the plan is subject to change to address higher priority matters that may arise during the course of the year.

I. Relocation of NSF Headquarters

In 2013, the U.S. General Services Administration signed a 15-year lease agreement on behalf of NSF for a new headquarters building to be built in Alexandria, Virginia. NSF currently plans to move from its current headquarters in Arlington, beginning in September 2017. As part of its oversight responsibilities, the OIG initiated an inspection of NSF's oversight of its relocation, and issues memoranda as it identifies risks. The first memorandum, *Alert Memorandum on NSF's Relocation to its New Headquarters Location* (OIG Report No. 14-3-003), issued on September 8, 2014, expressed concern about missed schedule milestone dates that had occurred and could continue, and the potential financial impact of such delays.

In FY 2016, we will continue to monitor NSF's move to its building and will issue reports as warranted to identify risks, particularly with respect to potential higher costs. For example, due to the short time between September 1, 2017, the current rental start date in the new building, and December 31, 2017, the date when the leases for its current buildings in Arlington expire, the impact of any additional schedule delay could be significant, especially if such a delay requires an extension to NSF's current leases. If this occurs, NSF would have to pay rent at both its current and new locations, with the rent for the current buildings likely being higher under extended leases.

After the issuance of the alert memorandum in FY 2016, we anticipate periodic memoranda identifying risks and reporting on NSF's relocation progress until the agency moves to its new building in Alexandria.

Objectives:

1. Determine the effectiveness of NSF's controls for adhering to the NSF-required milestones and maintaining schedule.
2. Determine the extent to which NSF is able to identify and mitigate limitations and disruptions from the planning phase through occupancy.

II. NSF's Management of Large Construction Projects

NSF's management of large construction projects is of continuing OIG and Congressional concern, and we will focus on this area again in the FY 2016 Audit Plan. Specifically, the Plan includes inspections that follow-up on a large body of prior audit work.

Starting in FY 2010, we reviewed proposal budgets for three of NSF's Major Research Equipment and Facilities Construction (MREFC) projects -- the Ocean Observatories Initiative (OOI),³ the Advanced Technology Solar Telescope (ATST),⁴ now named the Daniel K. Inouye Solar Telescope (DKIST); and the National Ecological Observatory Network (NEON).⁵ The total construction budgets for these three proposals was \$1.1 billion, of which we questioned about \$305 million. All three of the proposals included unallowable contingencies.

We also issued audits on the use of contingency on awards for EarthScope,⁶ and the R/V *Sikuliaq*.⁷ One of the findings pertained to NSF's prior practice of providing contingency funds to awardees at the time of annual funding increments, and its inadequate control over awardees' expenditure of these contingency funds. To address this finding, auditors recommended that NSF release contingency funds *only when the awardee demonstrates a bona fide need supported by verifiable cost data*.⁸

In 2012, following-up on prior audits, we issued an alert memorandum on NSF's management of cooperative agreements,⁹ the type of award used to fund MREFCs. The memorandum found weaknesses in NSF's processes for awarding and managing these awards, and recommended improvements in cost surveillance at both the pre-award and post-award stages.

³*Audit of Proposed Budget for the Ocean Observatories Initiative*, Report No. 10-1-012, September 30, 2010. See also, *Review of Specific Cost Information Related to Contingencies on Consortium for Ocean Leadership's (COL) Ocean Observatories Initiative Cost Proposal*, Report No. 12-3-001, March 26, 2012.

⁴*Revised Audit of Association of Universities for Research in Astronomy, Inc.'s (AURA) Cost Book Proposal for the Advanced Technology Solar Telescope (ATST)*, Report No. 11-1-001, March 31, 2011. See also, *Audit of Association of Universities for Research in Astronomy, Inc.'s /National Optical Astronomy Observatories' Accounting System and Proposal Estimating Practices*, Report No. 11-1-010, March 31, 2014.

⁵*Evaluation of National Ecological Observatory Network's (NEON) Construction Proposal*, Report No. 11-1-021, September 30, 2011. See also *Audit of National Ecological Observatory Network, Inc.'s Proposed NEON Construction Budget*, Report No. 12-1-008, September 28, 2012.

⁶ *Audit of NSF's Management of Contingency in the EarthScope Awards*, Report No. 12-2-010, September 28, 2012.

⁷ *Audit of NSF's Management and Oversight of the R/V Sikuliaq Construction Project*, Report No. 14-2-008, September 10, 2014. See also, *University of Alaska Fairbanks' Management and Oversight of the R/V Sikuliaq Construction Process*, Report No. 15-1-002, January 9, 2015.

⁸ Report No. 12-2-010, *op. cit.*, p. 7.

⁹ *NSF's Management of Cooperative Agreements*, Report No. 12-6-001, September 28, 2012.

In 2014, we issued another alert memorandum, which focused on NSF's management of proposed costs for the Large Synoptic Survey Telescope (LSST),¹⁰ the first MREFC project that NSF considered since we issued the 2012 alert memorandum on cooperative agreements. The LSST memorandum found that, despite our recommendations in the 2012 alert memorandum, NSF did not have sufficient information to establish a reasonable basis for the cost of this project.

Most recently, in September 2015, we issued an alert memorandum on a potential \$80 million cost overrun on NEON.¹¹ Although we had previously reported significant problems in NEON cost proposals, we found that NSF had not increased its monitoring of NEON expenditures in response to the documented risk. Further, we found that as of September 2015, NSF still did not know the size of final potential cost overrun. As a result of these findings, the FY 2016 Audit Plan includes inspections on possible cost overruns on other MREFCs.

It should also be noted that on May 22, 2014, we escalated multiple unresolved recommendations from prior MREFC audits to the NSF official with final responsibility for resolving recommendations;¹² but on October 16, 2014, and January 13, 2015, the official generally resolved them contrary to our recommendations. However, the FY 2014 Financial Statement audit included some of the escalated recommendations; and the FY 2015 Financial Statement audit, which will be issued in FY 2016, will again assess NSF's monitoring of construction type cooperative agreements.

Thus, there will be some overlap in our FY 2016 Audit Plan: Follow-up on construction-type cooperative agreements will be covered broadly in the FY 2015 Financial Statement audit in the mandatory section of the Plan, and more narrowly, in OIG inspections on selected issues in the discretionary section of the Plan.

Inspection Objectives:

1. Determine if there are risks in MREFCs that may result in potential budget overruns, schedule delays, or limits in scientific capability.
2. Determine whether NSF is providing adequate oversight of MREFC awards.

¹⁰ *NSF's Management of Costs Proposed for the Large Synoptic Survey Telescope Construction Project*, Report No. 14-3-002, September 30, 2014.

¹¹ *NSF's Management of Potential \$80 Million Cost Overrun for NEON*, Report No. 15-3-001, September 15, 2015.

¹² *NSF's Management of Large Facility Construction Projects*, memorandum to Dr. Cora Marrett, NSF Deputy Director, from Dr. Brett M. Baker, AIGA, through Allison Lerner, IG, May 22, 2014.

III. Financial and/or Program Accountability

NSF is accountable for the quality, integrity, and performance of its research programs and stewardship of its annual appropriations. This accountability is mandated by NSF's chartering legislation and numerous other laws including the Budget and Accounting Procedures Act, the Federal Managers Financial Integrity Act, the Chief Financial Officers Act, the Federal Financial Management Improvement Act, and OMB guidance. Conducting audits to evaluate whether NSF is fulfilling its responsibilities for financial and/or program accountability is central to the OIG mission of preventing and detecting fraud, waste, and abuse and promoting effectiveness, efficiency, and economy.

Mandatory Audits and Reviews Required by Professional Standards

The OIG is required by law to conduct certain audits and reviews. These include the annual audit of NSF's financial statements, and an annual independent evaluation of NSF's information security operations. In addition, the Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires OIG to report on NSF's compliance with the Act. We are also required by the National Science Foundation Act to perform triennial audits of the NSF's compliance with the Government in the Sunshine Act of 1976. In addition, *Government Auditing Standards* require that OIG Offices of Audit have external peer reviews every three years; and in FY 2016, our auditors will be performing such a review of another OIG Audit Office.

Audit of NSF's FYs 2015 and 2016 Financial Statements

The Government Management and Reform Act of 1994, Public Law 103-356 (GMRA) requires that 24 major federal agencies, including NSF, annually prepare financial statements disclosing the results of agency-wide operations. As required by the Chief Financial Officers Act of 1990 Public Law 101-576 (CFO Act), the Inspector General (IG) or an independent external auditor selected by the IG, is responsible for performing the agency-wide audit. The OIG contracts with an IPA firm to conduct these financial statement audits. The multi-year contract is scheduled to be re-competed in FY 2016.

Objective:

Express an opinion on NSF's financial statements and report on NSF's internal controls over financial reporting and compliance with applicable laws and regulations that could have a direct and material effect on the financial statements.

FYs 2015 and 2016 FISMA Evaluations

The Federal Information Security Management Act of 2002 (FISMA), which was amended by the Federal Information Security Modernization Act of 2014, requires the OIG to perform an independent evaluation of NSF's information security program and practices to determine their effectiveness and to report the results to OMB. The OIG contracts with an IPA firm to conduct this evaluation. The multi-year contract is scheduled to be re-competed in 2016.

Objective: Determine the effectiveness of NSF's information security program and practices.

NSF's Compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires OIG to review and report on NSF's IPERA compliance. OIG has chosen to use an audit for this purpose. The FY 2016 audit, which will be performed by an IPA firm under contract with OIG, will evaluate NSF's compliance with IPERA during the period beginning October 1, 2014, and ending September 30, 2015.

Objectives:

1. Determine if NSF is in compliance with the requirements of IPERA.
2. Evaluate the accuracy and completeness of NSF's improper payment reporting in its FY 2015 Annual Financial Report (AFR).
3. Evaluate the agency's performance in reducing and recapturing improper payments.

The National Science Board's Compliance with the Government in the Sunshine Act of 1976

The Government in the Sunshine Act of 1976 requires bodies to hold open meetings, with the exception of those that qualify for 10 narrow exceptions. The National Science Foundation Act requires the National Science Board (NSB) to comply with this Act. The National Science Foundation Act also requires the OIG to perform triennial audits of the NSB's compliance with the Act. The FY 2016 audit will cover NSB meetings from August 1, 2012, through July 31, 2015.

Objectives:

1. Determine whether the National Science Board complies with the procedural requirements of the Sunshine Act.
2. Determine whether the Board closed meetings consistent with the Act's provisions.

External Peer Review

Government Auditing Standards (2011) require that government audit offices undergo an external peer review every three years to determine if their organizational structure and policies and procedures provide reasonable assurance of conforming to the *Standards*. In FY 2016, OA staff will conduct an external peer review of the system of quality control at another OIG Audit Organization.¹³

Objective:

*Determine whether the system of quality control of the reviewed audit organization's audit practices was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conforming with applicable professional standards.*¹⁴

Discretionary Audits, Inspections, and Reviews

OA also performs discretionary audits, inspections, and reviews of NSF programs and operations. In addition, it performs financial and program audits or reviews of NSF awardees. The specific areas on which OA will focus its work during FY 2016 include internal performance projects; incurred cost audits of NSF awardees; and reviews of the quality of selected non-federal audits.

NSF Programs and Operations

Management Fees

In response to issues that surfaced about management fees under NSF's cooperative agreements for large facility projects, we included a review of management fees in NSF awards in the FY 2015 audit plan. As an initial step, we provided a white paper to NSF in November 2014, which discussed the historical context giving rise to such fees, current rules and regulations, NSF's policy and practices, and our initial observations, among other things.

In January 2015, we provided NSF with our observations about its draft management fee policy and in September 2015, we provided comments on NSF's final management fee policy. We noted NSF's draft policy took steps to develop a control environment for management fees and acknowledged the historical rationale for such fees, provided some guidance on unallowable costs, and required an up-front determination of need, a description of planned use, and monitoring of actual use.

¹³Our Audit Office was last peer-reviewed by another OIG in FY 2015. The March 30, 2015, external peer review report, which issued a rating of "pass" (the highest rating) is posted on the OIG website.

¹⁴ *Government Auditing Standards*, § 3.100 b.

NSF's final management fee policy contains a number of positive steps toward ensuring greater accountability and transparency over management fees. For example, the policy explicitly recognizes the historical uses of management fees; prohibits the use of management fees for alcohol, lobbying, and tickets to concerts, among other things; creates an audit trail for management fees; and provides NSF with flexibility to reduce management fees based on an awardee's failure to adhere to planned use.

Despite the positive aspects of NSF's final policy, we continue to have some concerns about the agency's control environment for management fees. For example, the final policy omits any consideration of other sources of income in determining the amount of the fee, thereby moving away from the principle that an awardee should only receive a fee based on its demonstrated need to maintain financial viability. Therefore, OIG has initiated a review of NSF's award, management, and control of management fees.¹⁵ That work is expected to be issued during FY 2016.

Objective:

Assess NSF's process to negotiate and award management fees in light of its responsibility to provide for proper stewardship over federal funds.

Conference Spending

The Federal Travel Regulation (FTR), Part 301.74 – *Conference Planning*, requires agencies to minimize conference costs, maximize use of Government facilities, and establish internal policies to ensure these standards are met. OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, issued May 11, 2012, requires federal agencies to report by January 31 annually all agency-sponsored conferences exceeding \$100,000 from the previous year. This memorandum also requires senior level approval on conferences exceeding \$100,000 and an agency head waiver for conferences exceeding \$500,000.

General Services Administration's GSA Bulletin FTR 14-02, *Clarification of Agency Reporting Requirements for Conferences*, issued December 13, 2013, states if the purpose of travel falls under "mission" as defined in the FTR, agencies would not be required to report the travel as a conference per OMB Memorandum M-12-12. Subsequently, NSF issued NSF Bulletin No. 14-05, *Conference Planning, Approval and Reporting Requirements*, on March 24, 2014, which clarifies the term "conference" as defined by the FTR for purposes of the OMB reporting requirements. According to the Bulletin, NSF panels and site visits, among other conference categories, are considered to be mission-critical, and therefore are no longer to be reported.

Objectives:

1. Determine if NSF's conference spending and related reporting are compliant with NSF and OMB conference policies.

¹⁵ In addition to the audit of NSF's processes for awarding, managing, and controlling management fees, we are auditing the use of these fees at two awardees. These audits are also expected to be issued in FY 2016.

2. Determine if opportunities exist to reduce costs of conferences.

Cloud Computing

NSF has entered into contracts for Cloud computing services for several systems, including email, external SharePoint, and iTRAK, which is its new financial management system. Use of the Cloud entails multiple risks and issues, such as data access, security, and management of contractors. OIG is performing an inspection on the adequacy of NSF's Cloud contracts, and its internal controls, to minimize these risks.

Objectives:

1. Determine if NSF is effectively overseeing and managing the delivery of its Cloud computing services through inventory management; development of contracts that address business and security risks as well as properly define NSF/Cloud service providers'/end users' roles and responsibilities; and monitoring compliance with contractual obligations and the use of IT cloud services.
2. Review executed contracts between agencies and Cloud service providers for compliance with applicable standards and best practices.

Cost of IPAs (Follow-up)

In FY 2013, OIG issued a report on the cost associated with NSF's use of Intergovernmental Personnel Act (IPA) Assignees.¹⁶ The Intergovernmental Personnel Act of 1970 authorizes temporary assignment of skilled personnel to NSF for up to four years. Most of NSF's temporary scientists, engineers, and educators are IPAs. They remain employees of their home institutions, which provide their pay and benefits; and IPAs are not subject to federal pay and benefit limitations. NSF reimburses the home institutions for IPAs' salaries and benefits with grant funds. In addition, NSF reimburses IPAs for travel to NSF, temporary living costs, lost consulting income, and state income taxes (as applicable).

Our audit found that in 2012 the additional cost of using IPAs instead of permanent federal employees was about \$6.7 million annually. We recommended that NSF take appropriate action to evaluate the ways the cost of using IPAs can be reduced, including increased use of telework, greater cost sharing by the home institutions, limiting annualization of IPA salaries to the federal pay rate for the position, and reviewing high fringe benefit rates that exceed a certain percentage.

¹⁶*Audit of Cost Associated with NSF's Use of Intergovernmental Personnel Act Assignees*, Report No. 13-2-008, March 20, 2013.

Our follow-up Routine Activity¹⁷ in FY 2016 will compare the costs (salary, fringe benefits, lost consulting, and per diem reimbursements) of executive IPAs in 2015 to the costs of executive IPAs reported in the FY 2013 audit.

Objective:

Compare the costs of executive IPAs in 2015 to the costs of executive IPAs reported in the FY 2013 audit.

Financial/Program Audits of NSF Awardees

Audits of Various Universities, Non-Profits, and For-Profit Entities

Audits of various universities, non-profits, and for-profit entities focus on whether costs charged to NSF awards are allowable, allocable, and reasonable. They also assess the adequacy of awardees' internal controls over the administration of NSF funds in compliance with federal and NSF requirements and recipient financial information. The FY 2016 Plan includes incurred cost audits of NSF awardees. If resources permit, we will also utilize desk reviews to examine costs claimed by other NSF awardees.

Objective:

Determine whether costs charged to NSF awards are allowable, allocable, and reasonable in compliance with federal and NSF requirements.

Non-Federal Audits

Review of the Quality of Single Audits

Non-federal auditors conduct annual audits of entities that expend \$500,000 (\$750,000 for audits of fiscal years ended 12/26/15 or later) or more a year in federal awards. These required audits, called single audits, are conducted in compliance with the Single Audit Act and related OMB guidance. Auditors who conduct these audits include public accounting firms, DCAA auditors, and state auditors. OA identifies single audit findings and questioned costs that require NSF resolution, and provides that information to NSF's Cost Analysis and Audit Resolution Branch. In addition, OA reviews the quality of all single audits for institutions under NSF cognizance (defined generally as those institutions who receive the most Federal funding from NSF) to determine if the reports comply with the Single Audit Act and OMB requirements. OA may also conduct quality control reviews of selected single audits in FY 2016.

Objective:

Assess the audit quality of selected single audits and determine auditors' compliance with the Single Audit Act and OMB requirements.

¹⁷ Routine activities are discussed in *Government Auditing Standards* (2011), §§3.40 and 3.41.