What are we covering today?

- Who We Are
- Federal Audit Environment
- Work Plan
- NSF OIG Audit Work Now
- NSF OIG Audit Response to COVID-19
- Case Studies
- Whistleblower Information
WHAT WE DO

Office of Audits
We conduct audits of:
- NSF operations and programs
- NSF award recipients (grantees and contractors)
- Financial / IT Reviews

Office of Investigations
We investigate allegations of:
- Fraud, waste, and abuse
- Research misconduct
- Violations of law, regulation, directive, or policy

Outreach
We invest in outreach:
- Presentations
- Briefings
- www.nsf.gov/oig/reports
- www.nsf.gov/oig/outreach
Federal Audit Environment

**Single Audits**
- Required
- Standardized

**Internal Audits**
Customized at organization's discretion

**Agency Reviews**
- Required
- Varying scopes and objectives

**Inspector General Audits**
- Required
- Varying scopes and objectives
- Internal and External to NSF
- Independent
Recent and Ongoing Work Impacting the Recipient Community

- Standard Grant Audits
- COVID-19 Audits
- Graduate Research Fellowship Program
- EPSCoR
- Government Owned Equipment
NSF OIG Grant Audits
Auditing NSF Award Recipients with Independent Public Accounting Firms

Survey Phase

- Incurred Cost Audit
- Accounting System Audit
- Internal Control Audit
- Custom Audit
- Terminate the Audit
## Audit Communication Process

<table>
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<th>Step 1</th>
<th>Step 2</th>
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<tr>
<td>Engagement Letter</td>
<td>Entrance Conference</td>
<td>Fieldwork Discussion Draft</td>
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</table>
| Define audit objective and scope | • Discuss audit with Auditee management  
• Identify key points of contact  
• Discuss audit process | • Discuss potential audit issues and recommendations with NSF management  
• May also use NPFRs during audit |

<table>
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<tr>
<th>Step 4</th>
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<th>Step 6</th>
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| Discuss audit results and final recommendations with management | • Provide Auditee official Draft Report of audit  
• Auditee typically has 30 days to for official response  
• OIG includes response in final report in its entirety | • Award Recipient, NSF, & Congressional Committees  
• [https://www.nsf.gov/oig/reports/reviews.jsp](https://www.nsf.gov/oig/reports/reviews.jsp)  
• [www.oversight.gov](http://www.oversight.gov)  
• Twitter feed @NSF0IG |
NSF Award Recipient COVID-19 Audits

Auditing NSF Award Recipient Usage and Implementation of the Temporary Administrative Flexibilities Authorized by OMB

Audit Period
March 1, 2020 to September 30, 2020

Risk Analysis
Q2 2020

Quick Turnaround
6-9 Months

M-20-17
M-20-20
M-20-26

10 Auditees
Various Institution Sizes

1 IPA Firm
Collaboration
Capstone Report
CASE STUDY

Unallowable Faculty Salary Structure

Institution of Higher Education

3 Year Audit Period

$22 Million in Expenditures in Audit Period

2 Different Salary Structures

- Institutional Base Salary
- Research Base Salary

"Charges for work performed on Federal awards by faculty members during the academic year are allowable at the IBS Rate."
"... In no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period."

$342k of Questioned Costs

Conclusion

The finding was sustained during audit resolution

*2 CFR §200.430
CASE STUDY

Inappropriately Allocated Indirect Costs

Institution of Higher Education

3 Year Audit Period

$256 Million in Expenditures in Audit Period

Negotiated Indirect Cost Rate Agreements

Rate at Time of Award

Rate at Time of Proposal

$255k of Questioned Costs

Conclusion
The finding was sustained during audit resolution
CASE STUDY

Unapproved Subawards

Institution of Higher Education

3 Year Audit Period

$159 Million in Expenditures in Audit Period

Prime Awardee

$891k of Questioned Costs

Subawardee

NSF Approval?

"... if it becomes necessary to contract or otherwise transfer a significant part of the research or substantive effort after a grant has been made, the grantee shall electronically submit, at a minimum (i) a clear description of the work to be performed, (ii) the basis for selection of the subawardee, and (iii) a separate budget for each subaward, and NSF will indicate its authorization by an amendment to the grant signed by the Grants and Agreements Officer."

Conclusion

The finding was sustained during audit resolution, with caveat

*NSF Proposal & Award Policies & Procedures Guide, Chapter VII
CASE STUDY
Expenses Not Properly Allocated

Institution of Higher Education
3 Year Audit Period
$159 Million in Expenditures in Audit Period

Stipends & Tuition $ Publications Equipment Supplies
Travel

"... organizations may not shift costs to meet deficiencies caused by overruns or other fund considerations, or for other reasons of convenience."

"If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved. ... the costs may be allocated or transferred to benefitted projects on any reasonable documented basis."

$129k of Questioned Costs

Conclusion
The finding was sustained during audit resolution

*2 CFR §200.405
WHISTLE BLOWER PROTECTION

Who is protected from Retaliation for making Protected Disclosures?

- Current and Former NSF Employees
- Applicants for NSF Employment
- Employees of a Federal Contractor or Subcontractor
- Employees of Grantee or Subgrantee

What are protected disclosures?

- Violations of any law, rule, or regulation
- Gross waste of funds, gross mismanagement, and abuse of authority
- Substantial and specific danger to public health and safety

Protected disclosures can be made to management, OIG, or Congress. Additional Information: www.nsf.gov/oig/whistleblower.jsp

October 23, 2020
whistleblower
OMBUDSMAN/COORDINATOR

William J. Kilgallin
Senior Advisor, Investigations
NSG OIG
ombudsman@nsf.gov
Help OIG Eliminate Fraud and Improve Management

CONTACT US
FRAUD, WASTE, ABUSE, MISMANAGEMENT, FABRICATION, FALSIFICATION, PLAGIARISM, UNNECESSARY EXPENSES?

WHISTLE BLOWERS
SAVE TAXPAYER DOLLARS

PROTECT
NSF EMPLOYEES, CONTRACTORS, AND GRANTEES WHO REPORT POTENTIAL WRONGDOING
Questions?

General
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oigpublicaffairs@nsf.gov

Semiannual reports
http://www.nsf.gov/oig/reports