OIG Audits in the Federally Funded Research Environment

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Webinar Topics/Objectives

- A description of Offices of Inspectors General (OIGs)
  - Their relevance to the research community
  - 2019 OIG audit plans
  - Best practices for minimizing audit burden
- Specific information related to the NSF OIG
  - How auditees are selected
  - Changes to the audit process
  - Case studies describing common audit findings
Inspector General Act of 1978

- Established 12 IGs - now over 70
- Independent and objective
  - Report to Congress and Agency Head (or NSB for NSF), not to agency management
  - Not engaged in management and operations
- Reports are publicly available (with exceptions)
- Subject to various oversight mechanisms including peer review

OIGs Most Relevant to Research Community
HHS Audit Work Plan

- Select Recently Added Items
  - NIH and Peer Reviewers
  - NIH’s Implementation/Monitoring COI
  - NIH’s Pre-Award Process for Assessing Risk of Grant Applicants and Post-Award Process for Oversight of Grantees

NSF Audit Work Plan

- Select FY 2019 Annual Audit Work Plan Items
  - Major Facilities
  - EPSCoR
  - Government Owned Equipment
  - NSF Awardees – various audits and reviews
Federal Audit Environment

- Single Audits
  - Required, Standardized
- Internal Audits
  - Customized, Organization's Discretion
- Agency Reviews
  - Required, Varying Scopes & Objectives
- Inspector General Audits
  - Required, Varying Scopes & Objectives, Internal & External to NSF, Independent

Audit Selection Prioritization

<table>
<thead>
<tr>
<th>Risk</th>
<th>Availability of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk score</td>
<td>Audit staff</td>
</tr>
<tr>
<td>Awardee type - small vs large institution</td>
<td>Funds for IPA audits</td>
</tr>
</tbody>
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RECENT CHANGES IN THE AUDIT PROCESS

- Focus on risk areas
- Increase the number of external audits that address the cause of findings
- More OIG-conducted work
Analytic Auditing

- Risk-based approach to transaction selection
- Allows us to identify control system issues
- Does not replace traditional auditing procedures

CASE STUDY #1
Travel Findings

Institution of Higher Education
3 Year Audit Period
$253 million in expenditures in audit period

Unallowable Travel Expenses
$20,656

Unsupported Travel Expenses
$2,635

Unallowable Upgraded Travel
$6,622

CONCLUSION
All findings were sustained during audit resolution
CASE STUDY #2
Spending Near Award Expiration Date

Institution of Higher Education Department

3 Year Audit Period

$110 million in expenditures in audit period

AUDIT FINDING RESOLUTION

<table>
<thead>
<tr>
<th>Sustained</th>
<th>Not Sustained</th>
</tr>
</thead>
<tbody>
<tr>
<td>$67,545</td>
<td>$7,231</td>
</tr>
<tr>
<td>Replacement equipment purchased with 3% of award life remaining</td>
<td>Computer purchased with 25 days remaining on the award</td>
</tr>
<tr>
<td>$12,024</td>
<td>$4,255</td>
</tr>
<tr>
<td>Computers purchased with only a few days remaining on the award</td>
<td>Equipment purchased with 17 days remaining on the award</td>
</tr>
<tr>
<td></td>
<td>$4,148</td>
</tr>
<tr>
<td></td>
<td>Computer purchased with 7% of the award remaining</td>
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Internal Audits of NSF

- New hybrid audit approach
- Audit objectives are directed towards NSF
- NSF’s policies, procedures, and internal controls apply to the awardee community
- Audit fieldwork takes place at the awardee level
- Examples:
  - Audit of NSF’s Oversight of Subrecipient Monitoring
  - Audit of Government Owned Equipment
- Engagement Letter
- Entrance Conference
- Notification of Preliminary Findings and Recommendations vs. Discussion Draft
- Exit Conference
- Formal Draft Report
  - Auditee usually has 30 days to comment
  - Provided to NSF, even if NSF is not the auditee
  - Auditee comments are summarized in the final report and attached as an appendix

- Pit Falls - Real Life Example
- Best Practices
  - Constant communication
  - Regularly scheduled check-ins
  - Open communication
  - Formal tracking documents
Auditee Communication Best Practices

- Be proactive, responsive, professional, honest, and concise.
  - Make the most of the entrance conference
    - If it will not occur until immediately before the audit, is pre-audit information available?
  - Ensure you understand everything that will or might be requested and communicate with all relevant parties
  - Avoid unnecessary delays in providing responses

Audit Resolution in Accordance with OMB Circular A-50 (Audit Followup)

- Resolution is required within 6 months of report issuance
- NSF sends OIG report to auditee for response to findings and recommendations
- NSF provides OIG with Audit Resolution Memorandum (ARM)
- If OIG disagrees with NSF’s Management Decision, it can escalate to NSF’s Audit Follow-up Official
- Ultimate decision on audit resolution rests with NSF
CASE STUDY #3
Audit Resolution

OIG and NSF disagreement regarding a policy applicable to most NSF awardees

- The issue was included in most audit reports
- OIG and NSF disagreed during audit resolution
- The issue was elevated to the AFO on multiple occasions
- Ultimately, NSF removed the policy from the PAPPG

Case Study: Audit and Investigations Collaboration

Audit Findings
- Missing or insufficient documentation
- Referred to Office of Investigations

Investigation
- Office of Investigations determined that employees fabricated time and effort reports

Settlement
- University agreed to repay $1.2 million
- University employee pled guilty to falsifying time and effort reports, received 1 year probation
- University was required to implement 5 year compliance plan
RECENT OIG PRODUCTS
Office of Investigations Cases

SELF REPORTED
University identified accounting errors and returned more than $2.2 million to NSF

HOTLINE
Community college returned over $327,000 for improper charges

PROACTIVE
Research Foundation returns over $330,000 improperly paid to faculty and ineligible students

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
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, Congress, or the Media.
Additional Information: www.nsf.gov/oig/whistleblower.jsp

Questions?