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

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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

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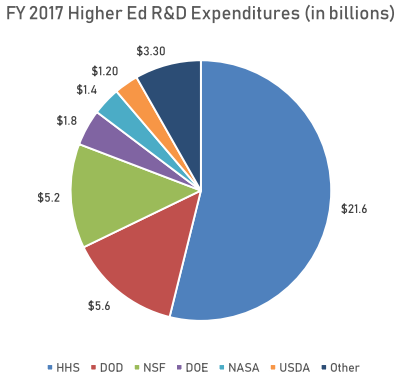
OIGs Most Relevant to Research Community



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HHS Audit Work Plan

- Work Plan Home, https://oig.hhs.gov/reports-and-publications/workplan/index.asp
- 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

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NSF Audit Work Plan

- Annual Plans found on Reports & Publications page, https://www.nsf.gov/oig/reports/.
- Select FY 2019 Annual Audit Work Plan Items
  - Major Facilities
  - EPSCoR
  - Government Owned Equipment
  - NSF Awardees – various audits and reviews

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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

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AUDIT SELECTION PRIORITIZATION

Risk

Risk score

Awardee type - small vs large institution

Availability of Resources

Audit staff

Funds for IPA audits

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OIG Risk Model
1 Obtain Universe of NSF Awards
2 Define Population of Awardees
3 Apply Internal Risk Factors
4 Apply External Risk Factors
Results
1
2
3
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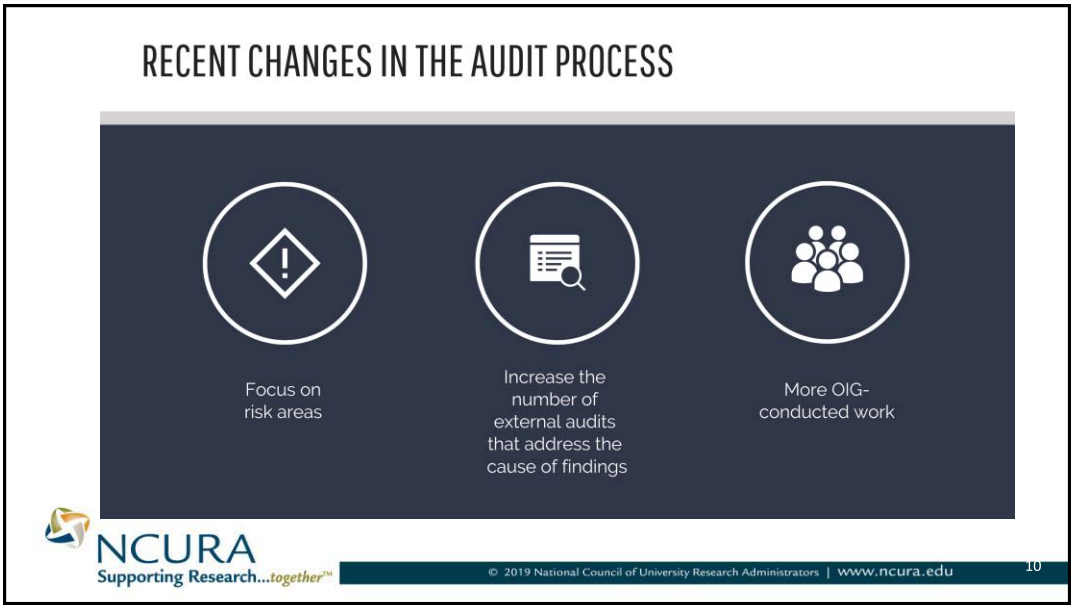
RECENT CHANGES IN THE AUDIT PROCESS
Focus on risk areas
Increase the number of external audits that address the cause of findings
More OIG-conducted work
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Analytic Auditing

- 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

$258 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

Sustained	Not Sustained
$67,545 Replacement equipment purchased with 3% of award life remaining	$7,231 Computer purchased with 25 days remaining on the award
$12,024 Computers purchased with only a few days remaining on the award	$4,255 Equipment purchased with 17 days remaining on the award
	$4,148 Computer purchased with 7% of the award remaining

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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

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Communication During Audits

- 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

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Communication Best Practices

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

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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

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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

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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

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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

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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

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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

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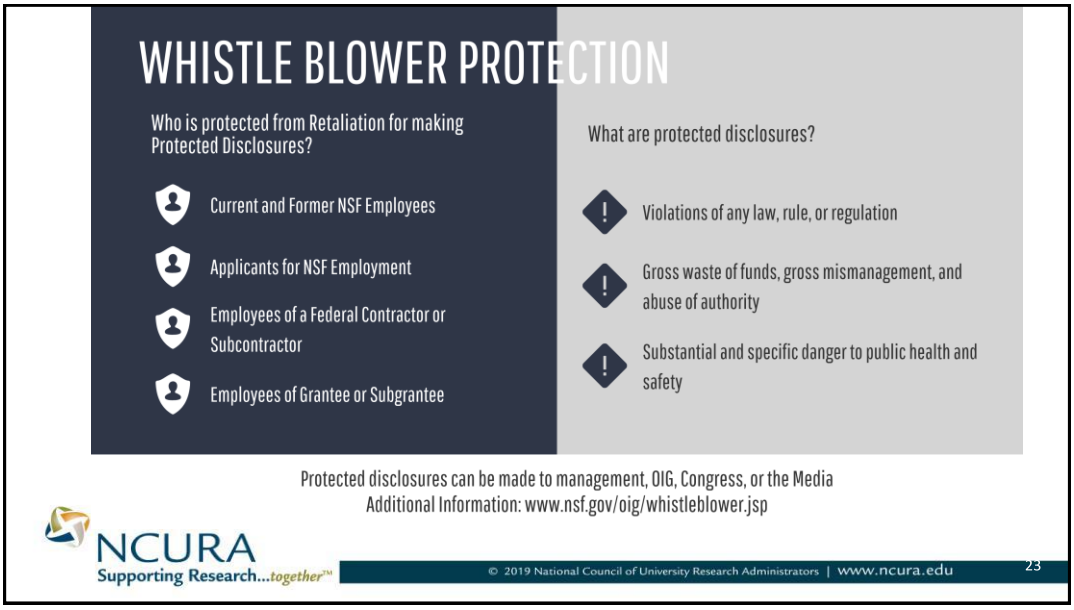
WHISTLE BLOWER PROTECTION
Who is protected from Retaliation for making Protected Disclosures?
Current and Former NSF Employees
Applicants for NSF Employment
Employees of a Federal Contractor or Subcontractor
Employees of Grantee or Subgrantee
What are protected disclosures?
Violations of any law, rule, 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
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Questions?
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