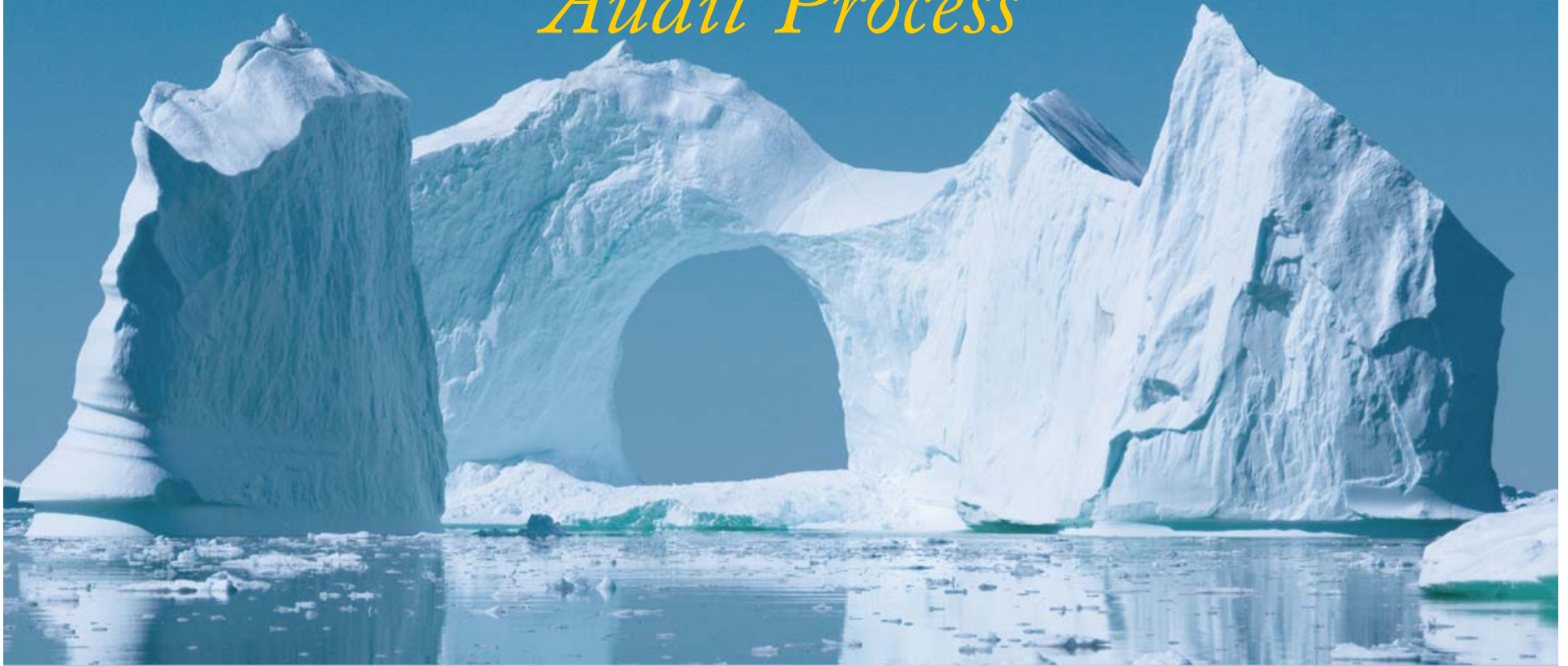


Successfully Navigating the Single Audit Process



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Maryland Governor's Grants Conference
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Successfully Navigating the Single Audit Process

*Common Findings and
Potential Impacts of
OMB Grant Reforms*

NSF at-a-glance

- Independent federal agency created by Congress in 1950, with an annual budget of about \$7 billion
- Funds approximately 20 percent of all federally supported basic research conducted by America's colleges and universities
- Supports an average of about 200,000 scientists, engineers, educators and students annually at universities, laboratories and field sites all over the United States and throughout the world
- Provides funds for large-scale equipment used by scientists and engineers to conduct research



NSF at-a-glance (continued)

- Provides training grants to teachers and students at all levels for continued development of the nation's science and engineering workforce
- NSF is divided into 7 directorates and 5 offices that support science and engineering research and education
- Directorates/Offices correspond to CFDA program titles
- Unless specifically noted otherwise in the award agreement, all NSF awards support research and development, and should be included in the R&D cluster for A-133 major program determination and testing



Common A-133 audit findings



Common A-133 audit findings

- Lack of support for time & effort charges
- Late/inaccurate quarterly financial reporting
- Lack of biennial inventory of equipment purchased with federal funds
- Inadequate subrecipient monitoring
- Lack of EPLS/SAM verification before procurements
- Lack of support for participant support costs
- Lack of proper competition for procurements
- Inadequate segregation of duties
- Lack of support for cost sharing / matching obligations



Subrecipient Monitoring

- Characteristics indicative of a federal award received by a subrecipient:
 - Has its performance measured against whether the objectives of the federal award are met;
 - Has responsibility for programmatic decision making;
 - Has responsibility for adherence to applicable federal program compliance requirements



Subrecipient Monitoring (cont'd)

- Characteristics indicative of a payment for goods and services received by a vendor:
- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Operates in a competitive environment
 - Provides goods or services that are ancillary to the operation of the federal program; and
 - Is not subject to compliance requirements of the federal program.



Subrecipient Monitoring (cont'd)

- Prime Awardee Responsibilities
 - Determining that the amount paid is reasonable for the work performed
 - Some form of cost or price analysis should be documented
 - Cost Analysis – review of individual elements of cost - Indirect Cost rate used
 - Price Analysis – comparison of different offers if adequate competition



Subrecipient Monitoring (cont'd)

- Prime Pre-award Procedures -- Ensure that the subawardee:
 - Ability to perform both technically and administratively (project cost accounting system for cost reimbursement)
 - Financial capability to perform
 - Appropriate indirect cost rate & base
 - Not Debarred or suspended by Federal Government



Subrecipient Monitoring (cont'd)

- Flow Through Provisions
 - Audit & access to records
 - Prime awardee – perform on site technical & administrative reviews
 - Cost Principles (A-87, A-122, A-21, FAR)
 - Administrative Requirements (A-110, A-102 – “The Common Rule”)
 - Statutory & Regulatory – COI, human subjects, drug-free workplace, CA-1 Article 8



Subrecipient Monitoring (cont'd)

- Subrecipient OMB A-133 Audits
 - Receive OMB A-133 audit reports or access Federal Audit Clearinghouse data by CFDA number to determine if there are findings if organization expended more than \$500,000 in total federal funds in that awardee's fiscal year
 - <http://harvester.census.gov/sac/>
 - Resolve any findings that apply to your subaward



Participant Support Costs

- Participants or Trainees (not employees – exception school districts: teacher training okay)
- Stipends, subsistence allowance, travel, registration fees, copies, tuition
- Funds may not be re-budgeted to other expense categories with out prior written approval of the NSF program officer (via Fastlane)
- Awardee organizations must be able to identify participant support costs.
- Participant support costs are not a normal account classification



Participant Support Costs (cont'd)

- Highly recommended that separate accounts, subaccounts, sub-task or sub-ledgers be established accumulate these costs
- Should have written policies & procedures
- Typically excluded by NSF from application of the indirect cost rate (MDTC – and pass through funds – such as stipends)
- Participant support – eligibility – what did participants have to do to receive the payment
- Documentation of attendees at conferences or workshops



Impact of Potential OMB Grant Reforms on A-133 audits



Changes to Audit Requirements (.700)

- Minimum A-133 threshold increases from \$500K to \$750K in total federal expenditures (.701)
 - Approximately 5,000 entities will fall below new threshold
 - Impact of increase on pass-through entities
- Other Changes
 - Low-risk auditee designation
 - Major program determination
 - Compliance requirements
 - Federal agency responsibilities
 - Current and prior year finding details
 - Audit Resolution
 - Report submission



Changes to Audit Requirements (.700)

- Low-risk auditee designation (.721)
 - Definition / impact
 - Change to criteria
 - Audits on time
 - Not a Going Concern
 - No material weaknesses in internal control
 - Unqualified opinion
- Determination of major programs (.719)
 - Type A threshold increases to \$500K for smaller entities
 - Impact of loans
 - Low-risk Type A criteria
 - High-risk Type B programs
 - Percentage of coverage



Changes to Audit Requirements (cont.)

- Number of compliance requirements decreases to 7 (.713)
 - Goal is to refocus Compliance Supplement to better target areas of risk, and to concentrate resources on targeting improper payments, waste, fraud, and abuse
 - Remaining Requirements: A, B, C, E, L, M, and N
 - Anticipate A/B testing will include parts of G, H, and I
 - Anticipate C testing will include impact of J
 - Agencies will have to obtain OMB approval to include requirements in N



Changes to Audit Requirements (cont.)

- Cognizant / Oversight Agency (.713a-b)
 - Conduct QCRs of a representative, generalizable, and statistically valid sample
 - Advise community of quality trends
- Audit Resolution (.713 - .714)
 - Agency Senior Accountable Official
 - Cooperative audit resolution techniques
 - Post Management Decision Letters on internet
 - Implement audit-risk metrics
 - Resolve findings on internal control over financial reporting
 - Time requirements (6 months from FAC acceptance of report)



Changes to Audit Requirements (cont.)

- Audit Findings (.717)
 - Increase in questioned cost threshold to \$25K
 - Finding detail and clarity
 - Questioned costs must be identified by applicable CFFA number(s) and award number(s)
 - Information on statistical sampling (when used)
 - Identification of repeat findings
- Summary Status of Prior Year Findings (.711)
 - For repeat findings, provide first year that finding was reported
 - Include findings related to financial reporting



Changes to Audit Requirements (cont.)

- Report Submission (.712)
 - Eliminates option for federal agencies to approve an extension
 - SF-SAC certification statement for auditees includes “...the reporting package does not include personally identifiable information...”



Changes to Cost Principles (.600)

- Consolidates A-21, A-87, and A-122 into uniform set of cost principles
 - Inclusion of 45 CFR Part 75 App. E to be further studied
- Indirect (F&A) Rates (.616)
 - Minimum rate of 10% x MTDC (up to 4 years before first negotiation)
 - One time extension of negotiated rate (up to 4 years)
- Time and Effort Reporting (.621 C-10)
 - Consolidates reporting requirements across grant community
 - Eliminates specific examples of reporting systems
 - Requests feedback on impact



Changes to Cost Principles (cont.)

- Utility Cost Adjustment (Appendix IV)
 - Two options
 - Meter usage at sub-building level
 - Multiplier to square footage used for research
 - Requests feedback
- Eliminated requirements
 - Studies of cost reasonableness for large research facilities
 - Use of indirect costs recovered for depreciation or use allowances
 - Lease-purchase analysis for interest costs
 - Gain/loss on speculative financing arrangements - language proposed in ANPG



Summary of Reforms

- Updates based on comments received to ANPG
- Consolidates cost and administrative requirements
- Single Audits and federal agency oversight will be targeted toward identifying and reducing the risks of improper payments, fraud, waste, and abuse
- Changes to cost principles for certain areas
- Change in subrecipient monitoring for those entities that fall below threshold
- Comments due by 5:00pm EDT on May 2, 2013
 - www.regulations.gov
 - OMB-2013-0001



Single Audit Keys to Success

- Document, Document, DOCUMENT!
- Update policies and procedures
- Train your staff
- Monitor your subrecipients
- Remember that your auditors are not out to get you
- Contact OIG whenever you have any questions



Questions?



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