

Performance Audit of NSF's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019

REPORT PREPARED BY KEARNEY & COMPANY, P.C.





At a Glance

Performance Audit of NSF's Fiscal Year 2024 Compliance with the
Payment Integrity Information Act of 2019
OIG 25-02-005 | May 12, 2025

AUDIT OBJECTIVE

The U.S. National Science Foundation (NSF) Office of Inspector General (OIG) engaged Kearney & Company, P.C. (Kearney) to conduct a performance audit of NSF's fiscal year (FY) 2024 compliance with the Payment Integrity Information Act of 2019 (PIIA). The objectives of the performance audit were to evaluate and report on the effectiveness of NSF's risk assessment process, including the quantitative and qualitative methods utilized and the actions taken by NSF in response to prior-year audit findings, and to report on NSF's compliance with the requirements outlined in the "PIIA Compliance Reporting Table" from Appendix C of Office of Management and Budget (OMB) Circular A-123, OMB Memorandum M-21-19, *Requirements for Payment Integrity Improvement*. A full description of the audit's objectives, scope, and methodology is attached to the report as Appendix A.

AUDIT RESULTS

Kearney found that NSF complied with PIIA reporting requirements for FY 2024 based on its review of NSF's Agency Financial Report and risk assessments. Additionally, NSF met all applicable compliance criteria outlined in OMB Memorandum M-21-19. Kearney is responsible for the attached report and the conclusions expressed in this report. NSF OIG does not express any opinion on the conclusions presented in Kearney's audit report.

RECOMMENDATIONS

Kearney made no recommendations in its report.

AGENCY RESPONSE

NSF agreed with Kearney's conclusion. NSF's response is attached, in its entirety, to the report as Appendix B.

CONTACT US

For congressional, media, and general inquiries, email OIGPublicAffairs@nsf.gov.



U.S. NATIONAL SCIENCE FOUNDATION
Office of Inspector General

MEMORANDUM

DATE: May 12, 2025

TO: Brian Stone
Acting Director
U.S. National Science Foundation

Janis Coughlin-Piester
Chief Financial Officer and Office Head
Office of Budget, Finance and Award Management
U.S. National Science Foundation

A handwritten signature in grey ink that reads "Theresa S. Hull".

FROM: Theresa S. Hull
Assistant Inspector General
Office of Audits, Inspections, and Evaluations

SUBJECT: Final Report No. 25-02-005, *Performance Audit of NSF's Fiscal Year 2024 Compliance with the Payment Integrity Information Act of 2019*

This memorandum transmits the Kearney & Company, P.C. (Kearney) report for the audit of the U.S. National Science Foundation's (NSF) fiscal year 2024 compliance with the Payment Integrity Information Act of 2019 (PIIA). The objectives of the performance audit were to evaluate and report on the effectiveness of NSF's risk assessment process, including the quantitative and qualitative methods utilized and the actions taken by NSF in response to prior-year audit findings, and to report on NSF's compliance with the requirements outlined in the "PIIA Compliance Reporting Table" from Appendix C of Office of Management and Budget (OMB) Circular A-123, OMB Memorandum M-21-19, *Requirements for Payment Integrity Improvement*. A full description of the audit's objectives, scope, and methodology is attached to the report as Appendix A.

OIG Oversight of the Audit

Kearney is responsible for the attached auditors' report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in Kearney's audit report.

To fulfill our responsibilities, we:

- reviewed Kearney's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with Kearney, as necessary, to discuss audit progress, findings, and recommendations;
- reviewed the audit report prepared by Kearney; and
- coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact us at 703-292-7100 or OIGPublicAffairs@nsf.gov.

Attachment

CC: Victor McCrary, Wanda Ward, Scott Stanley, John Veysey, Ann Bushmiller, Angel Williams, Micah Cheatham, Judy Hayden, Christina Sarris, Jesse Simons, Jason Bossie, Justin Poll, Daniel Kaneshiro, Veronica Shelley



***Report on the Performance Audit over
the Payment Integrity Information Act of 2019***

for

***U.S. National Science Foundation
Office of Inspector General***

Report Date: May 2, 2025

**KEARNEY &
COMPANY**

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Objectives

As requested by the Office of Inspector General (OIG), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the U.S. National Science Foundation (NSF) to determine compliance with the Payment Integrity Information Act of 2019 (PIIA). Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The objectives of the performance audit were as follows:

- To evaluate and report on the effectiveness of NSF’s risk assessment process, including the quantitative and qualitative methods utilized and NSF’s actions in response to prior-year audit findings
- To report on NSF’s compliance with the 10 requirements outlined in the “PIIA Compliance Reporting Table” from Appendix C of Office of Management and Budget (OMB) Circular A-123 Memorandum (M)-21-19, *Requirements for Payment Integrity Improvement*

Please see *Appendix A* of this report for the scope and methodology of the audit.

Background

The National Science Foundation is an independent federal agency created by Congress in 1950, “To promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and other purposes” (Public Law (PL) No. 81-507). With a budget of about \$9.06 billion in fiscal year (FY) 2024, NSF is the funding source for about 25 percent of all federally supported basic research conducted by America’s colleges and universities. Each year, NSF supports about 318,000 researchers, entrepreneurs, students, and teachers. Given the scale of its funding activities, NSF is required to comply with government-wide payment integrity laws and regulations to prevent improper payments.

The President signed Public Law (PL) No. 116-117, PIIA, in order to further efforts to prevent the loss of taxpayer dollars. Under PIIA, an improper payment (IP) is one that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement. This includes any payment to ineligible recipients, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for those payments where authorized by law), and any payment that does not account for credit for applicable discounts. This guidance requires the head of each executive agency, in accordance with the guidance prescribed by the Director of OMB, to periodically review all programs and activities that the head of the executive agency administers and identify all programs and activities with outlays exceeding the statutory threshold dollar amount that may be susceptible to IPs.

OMB issued OMB M-21-19 as guidance for agencies to implement the requirements of PIIA. Under this guidance, an agency is considered compliant with PIIA if it meets the 10 requirements outlined in Section VI.A, “Achieving and Evaluating Compliance”. If an agency does not meet one or more of these requirements, then it is not compliant. Additionally, as stated in Section II.A, “Phase 1: Identify Susceptible Programs and Activities with an IP Risk Assessment” of OMB M-21-19, agencies should assess all programs with annual outlays greater than \$10 million for IP risk at least once every three years. The purpose of an IP risk assessment is to determine whether the total annual IPs plus the unknown payments (UP) for a program are collectively likely to be above or below the statutory threshold for the given year. As part of its compliance with PIIA, NSF must assess the risk of IPs within its programs and mission support activities. Historically, NSF has had four programs and mission support activities that have exceeded the \$10 million annual outlay threshold. These programs include Grants and Cooperative Agreements, Contracts and Individual Payments, Payments to Employees, and Charge Cards.

PIIA also sets forth guidance on the Do Not Pay Initiative and requires that each executive agency review prepayment and pre-award procedures and ensure a thorough review of available databases to determine program or award eligibility and prevent IPs before the release of any Federal funds. Further, PIIA references OMB Circular A-136, *Financial Reporting Requirements* (OMB A-136) which requires an executive agency to complete the Annual Data Call issued by OMB and provide a link to paymentaccuracy.gov in its Agency Financial Report (AFR). The executive agency must also submit two points of contact to OMB by September 1, who are responsible for ensuring the required information is submitted in accordance with the Annual Data Call guidance.

Audit Results

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Kearney confirmed that NSF met PIIA requirements outlined for a Phase 1 agency for programs with net outlays greater than \$10 million. Refer to ***Exhibit 1***. As part of the FY 2024 financial statement audit, we concluded that NSF’s controls related to the “Do Not Pay Initiative” were operating effectively. We leveraged this outcome as part of this performance audit. We also verified that NSF submitted two points of contact to OMB in a timely manner.

Risk Assessments

We evaluated NSF’s qualitative risk assessments over the Grants and Cooperative Agreements, Contracts and Individual Payments, Payments to Employees, and Charge Card programs. We also evaluated NSF’s quantitative risk assessment over the Grants and Cooperative Agreements program. Kearney determined NSF’s conclusion of an overall low risk level for both risk assessments was reasonable. Refer to the ***Objective Scope and Methodology*** section.

As noted in ***Exhibit 1*** below, we found that NSF complied with PIIA requirements as outlined by

OMB. The “Yes” recorded in the table denotes compliance with the applicable criteria.

We believe that the evidence obtained provides a reasonable basis for our conclusion that there were no findings based on our audit objectives.

Conclusion

Based on our review of NSF’s AFR and risk assessments, we determined that NSF complied with PIIA reporting requirements for FY 2024. As indicated in **Exhibit 1**, NSF met all applicable compliance criteria outlined in OMB M-21-19.

Exhibit 1: PIIA Compliance Reporting

Item No.	Criteria	Grants and Cooperative Agreements	Contracts and Individual Payments	Payments to Individuals	Charge Cards
1	Published payment integrity information with the annual financial statement	Yes	Yes	Yes	Yes
2	Posted the annual financial statement under guidance of OMB on the agency website	Yes	Yes	Yes	Yes
3	Conducted IP risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years	Yes	Yes	Yes	Yes
4	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold	Yes	Yes	Yes	Yes
5	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement	N/A*	N/A*	N/A*	N/A*
6	Published corrective action plans (CAP) for each program for which an estimate above the statutory	N/A*	N/A*	N/A*	N/A*

Item No.	Criteria	Grants and Cooperative Agreements	Contracts and Individual Payments	Payments to Individuals	Charge Cards
	threshold was published in the accompanying materials to the annual financial statement				
7	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	N/A*	N/A*	N/A*	N/A*
8	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	N/A*	N/A*	N/A*	N/A*
9	Developed a plan to meet the IP and UP reduction target	N/A*	N/A*	N/A*	N/A*
10	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement	N/A*	N/A*	N/A*	N/A*

* NSF did not have programs that were susceptible to significant IPs and UPs based on statutory thresholds listed in OMB M-21-19, Section II. Phases of Assessments.

APPENDIX A – SCOPE AND METHODOLOGY OF THE AUDIT**Scope and Limitations**

The scope of the engagement is limited to PIIA requirements, as outlined by PL 116-117, OMB M-21-19, and OMB Circular A-136. PL 116-117 (PIIA 2019), requires an agency to annually report information on IPs through its AFR. The audit scope is limited to PIIA information reported within the Other Information section of the NSF's FY 2024 AFR, specifically Appendix 3: Payment Integrity Information Act Reporting.

Kearney's engagement did not include a detailed inspection of every transaction and cannot be relied upon to disclose all errors, fraud, or other illegal acts that may exist. During the audit, we did not identify any fraud or other illegal acts.

Our audit considered NSF's quantitative and qualitative methodologies for programs with net outlays greater than \$10 million. These programs include Grants and Cooperative Agreements, Contracts and Individual Payments, Payments to Employees, and Charge Cards. For its quantitative risk assessment, NSF identified 538,745 grant expenditures, representing a total of \$8.015 billion in payments, that occurred between April 1, 2023, and March 31, 2024. NSF reviewed and assessed a sample of the underlying supporting documentation obtained from awardees as part of its quantitative testing. For its qualitative risk assessment, NSF considered input, based on the 11 qualitative risk factors outlined in OMB M-21-19, from various internal stakeholders responsible for managing, executing, and monitoring the related activities and controls. Based on these inputs, NSF assigned risk scores and calculated the average OMB risk score factor, for each program. These results enabled NSF to evaluate susceptibility of IPs. The net outlays for the qualitative risk assessments included: Grants and Cooperative Agreements (\$8.21 billion), Contracts and Individual Payments (\$705 million), Payments to Employees (\$419 million), and Charge Card (\$11.9 million) during FY 2024.

To supplement NSF's risk assessment methodologies, Kearney reviewed Government Accountability Office (GAO) and NSF OIG reports to identify corrective actions and assess the actions taken by NSF in response to prior year PIIA audit findings, noting there were none.

This report contains a high-level summary that indicates (a) NSF's compliance status (i.e., compliant or non-compliant) and (b) which of the 10 requirements NSF complied with. Additionally, the report includes the PIIA Compliance Reporting Table, as prescribed in OMB M-21-19. Kearney executed planning, testing, and reporting between December 2024 through April 2025.

Methodology and Work Performed

Kearney's performance audit engagement was conducted in accordance with the performance audit standards established by GAGAS. Those standards require that we obtain reasonable assurance that evidence is sufficient and appropriate to support our findings and conclusions in

relation to the audit objectives.

To determine compliance with PIIA, we reviewed NSF's FY 2024 AFR and completed the following:

- Conducted walkthroughs and interviews with applicable NSF personnel to gain an understanding of the PIIA risk assessments and the associated results in the FY 2024 AFR (Appendix 3, *Payment Integrity Information Act Reporting*)
- Corroborated NSF's assertion that it is a Phase 1 agency and determined IP and UP estimate calculations were non-applicable
- Reviewed OIG and GAO reports related to PIIA compliance and confirmed there were no CAPs for NSF to implement between FY 2021 and FY 2024
- Developed test plans to reperform testing conducted by NSF over each program activity
- Reviewed NSF risk assessments, along with applicable supporting documentation, to corroborate the results reported in the AFR.

Work Related to Internal Controls

NSF management is responsible for establishing and maintaining effective internal controls to identify and prevent IPs in its programs and activities. While planning and performing our audit, Kearney considered NSF's internal controls over PIIA processes and methodology to understand the policies and procedures relevant to NSF's PIIA risk assessment. We also considered NSF's select program testing results reported in its AFR to evaluate its compliance with PIIA requirements and risk factors. Kearney leveraged our understanding of NSF's controls, gained from the FY 2024 financial statement audit, for compiling, validating, and reporting payment integrity information with control testing conclusions. We concluded NSF's internal controls operated effectively during the performance audit period.

APPENDIX B – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS

National Science Foundation
Office of Budget, Finance & Award Management

MEMORANDUM

Date: April 22, 2025

To: Theresa S. Hull, Assistant Inspector General
Office of Audits, Inspections and Evaluations

From: Janis Coughlin-Piester *Janis Coughlin-Piester*
Office Head and Chief Financial Officer
Office of Budget, Finance and Award Management

Subject: Management's Response to Independent Auditor's Report on the
Performance Audit over the Payment Integrity Information Act (PIIA)
of 2019 for Fiscal Year (FY) 2024

Thank you for the opportunity to review and comment on the PIIA Performance Audit Report for FY 2024. We are pleased that the independent auditor has determined that NSF's conclusion of an overall low risk level for both qualitative and quantitative assessments continues to be reasonable as sustained from the previous triannual risk assessment conducted in FY 2021. We are also pleased to receive the conclusion that NSF has met compliance with all criteria outlined in PIIA and OMB M-21-19. These results reflect NSF's strong commitment to payment integrity and ensuring effective stewardship of federal funds.

We appreciate the professionalism and cooperation from the Office of the Inspector General and Kearney and Company throughout this performance audit. If you have any questions or require additional information, please contact Jesse Simons, Deputy Chief Financial Officer, and Division Director for Financial Management at jsimons@nsf.gov.

National Defense Authorization Act

General Notification

Pursuant to Pub. L. No. 117-263 § 5274, business entities and non-governmental organizations specifically identified in this report have 30 days from the date of report publication to review this report and submit a written response to NSF OIG that clarifies or provides additional context for each instance within the report in which the business entity or non-governmental organizations is specifically identified. Responses that conform to the requirements set forth in the statute will be attached to the final, published report.

If you find your business entity or non-governmental organization was specifically identified in this report and wish to submit comments under the above-referenced statute, please send your response within 30 days of the publication date of this report to OIGPL117-263@nsf.gov, no later than June 14, 2025. We request that comments be in .pdf format, be free from any proprietary or otherwise sensitive information, and not exceed two pages. Please note, a response that does not satisfy the purpose set forth by the statute will not be attached to the final report.

About Us

NSF OIG was established in 1989, in compliance with the *Inspector General Act of 1978* (5 USC 401-24). Our mission is to provide independent oversight of NSF to improve the effectiveness, efficiency, and economy of its programs and operations and to prevent and detect fraud, waste, and abuse.

Contact Us

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- File online report: oig.nsf.gov/contact/hotline
- Anonymous Hotline: 1-800-428-2189
- Mail: 2415 Eisenhower Avenue, Alexandria, VA 22314 ATTN: OIG HOTLINE

Have a question about reporting fraud, waste, or abuse? Email OIG@nsf.gov.

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