

# Audit of NSF's Oversight of Subrecipient Monitoring

NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL

June 21, 2018  
OIG 18-2-005





## AT A GLANCE

Audit of NSF's Oversight of Subrecipient Monitoring

Report No. OIG 18-2-005

June 21, 2018

### WHY WE DID THIS AUDIT

As required by the *American Innovation and Competitiveness Act*, we conducted this audit to determine if NSF's processes for monitoring awardees were sufficient to ensure that pass-through entities (PTEs) monitored subrecipients properly.

### WHAT WE FOUND

In most cases, NSF's processes for monitoring grantees were sufficient to ensure that PTEs monitored subrecipients properly. NSF has procedures to help ensure PTEs oversee their subrecipients' compliance under the Uniform Guidance, comply with financial requirements, and maintain award objectives. However, improvements are needed to ensure that recipients of large and complex awards complete subrecipient risk assessments and consistently identify subawards. PTEs of major facilities did not always provide subrecipient budgets and budget justifications when required. NSF was not always able to identify subrecipients on major facility budget proposals because the systems and documents PTEs used to request approval for subawards did not always distinguish requests for contract funding from requests for subaward funding.

Ensuring PTEs complete subrecipient risk assessments and properly identify subawards is critical to help PTEs implement the appropriate level of subrecipient oversight. NSF acknowledged these concerns and is taking steps to strengthen its oversight of PTEs.

### WHAT WE RECOMMEND

We recommended NSF continue efforts to update NSF's policies and procedures to ensure they align with the Uniform Guidance; ensure NSF's guidance includes a specific mechanism to verify that PTEs of large and complex awards completed subrecipient risk assessments, and take action to ensure that PTEs clearly identify entities that will receive a subaward.

### AGENCY RESPONSE

NSF agreed with our recommendations. NSF's response is included in its entirety in Appendix A.

FOR FURTHER INFORMATION, CONTACT US AT (703) 292-7100 OR [OIG@NSF.GOV](mailto:OIG@NSF.GOV).



NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL

**MEMORANDUM**

**DATE:** June 21, 2018

**TO:** Joan Ferrini-Mundy  
Chief Operating Officer

Teresa Grancorvitz  
Chief Financial Officer and Head  
Office of Budget, Finance, and Award Management

**FROM:** Mark Bell  
Assistant Inspector General  
Office of Audits

**SUBJECT:** Final Report No. 18-2-005, *Audit of NSF's Oversight of Subrecipient Monitoring*

Attached is the final report on the subject audit. We have included NSF's response to the draft report as an appendix.

This report contains three recommendations to strengthen controls over NSF's oversight of awardee subrecipient monitoring. NSF agreed with our recommendations. In accordance with OMB Circular A-50, *Audit Follow-up*, please provide our office with a written corrective action plan to address the report's recommendations. In addressing the report's recommendations, this corrective action plan should detail specific actions and associated milestone dates. Please provide the action plan within 60 calendar days of the date of this report.

We appreciate the courtesies and assistance NSF staff provided during the audit. If you have any questions, please contact Elizabeth Goebels, Director of Performance Audits, at (703) 292-7100.

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## ABBREVIATIONS

BFA	Office of Budget, Finance and Award Management
BSR	Business System Review
CFR	Code of Federal Regulations
DACS	Division of Acquisition and Cooperative Support
MTDC	Modified Total Direct Cost
PTE	Pass-through entity
SOG	Standard Operating Guidance



## Background

The National Science Foundation is an independent Federal agency that initiates and supports basic scientific research and programs by making merit-based awards. NSF receives more than 40,000 proposals each year for research, education, and training projects. Organizations apply for NSF funding opportunities by submitting a proposal through the NSF FastLane system or Grants.Gov.<sup>1</sup> According to NSF, the average amount of an NSF grant is \$178,200.

Major multi-user research facilities (major facility) are shared-use infrastructure accessible to a broad community of researchers and educators and include telescopes, research vessels, and observatories. NSF's major facilities typically have a total project cost of at least \$70 million and are funded through cooperative agreements made by NSF's Division of Acquisition and Cooperative Support (DACs). As of July 2017, NSF had 23 major facilities.

### Subawards and Pass-Through Entities

Many NSF-funded project objectives are achieved through subawards with other organizations, or subrecipients, who perform a portion of the activity required under the prime award. An awardee that subawards a portion of its award to another organization is deemed a pass-through entity (PTE).

*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)<sup>2</sup> contains requirements for PTEs to identify and monitor subrecipients. According to the Uniform Guidance, all PTEs, regardless of award size, must:

- (1) Identify the subaward to the subrecipient by providing information such as the Federal award identification number and project description;
- (2) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and NSF's terms and conditions to determine the appropriate level of subrecipient monitoring the PTE must conduct; and
- (3) Monitor the activities of the subrecipient to ensure the subaward is used for authorized purposes and performance is achieved.

### NSF's Processes for Overseeing PTEs' Subrecipient Monitoring

NSF's program directorates and its Office of Budget, Finance and Award Management (BFA) perform baseline oversight of all awards and additional risk-based oversight of complex or large awards; see Figure 1. As part of NSF's baseline oversight, all awardees are subject to site visits and must submit annual reports to NSF. All PTEs are subject to additional requirements and may be subject to reviews that cover subrecipient monitoring. For example, all PTEs are required to obtain written approval for subawards and to report on subaward activities in project reports, which can help to ensure subrecipients maintain award objectives. When subawards are a significant part of a complex or large award, PTEs

<sup>1</sup> Grants.gov was established as a government-wide resource to help interested individuals electronically find grant opportunities and apply for Federal grants.

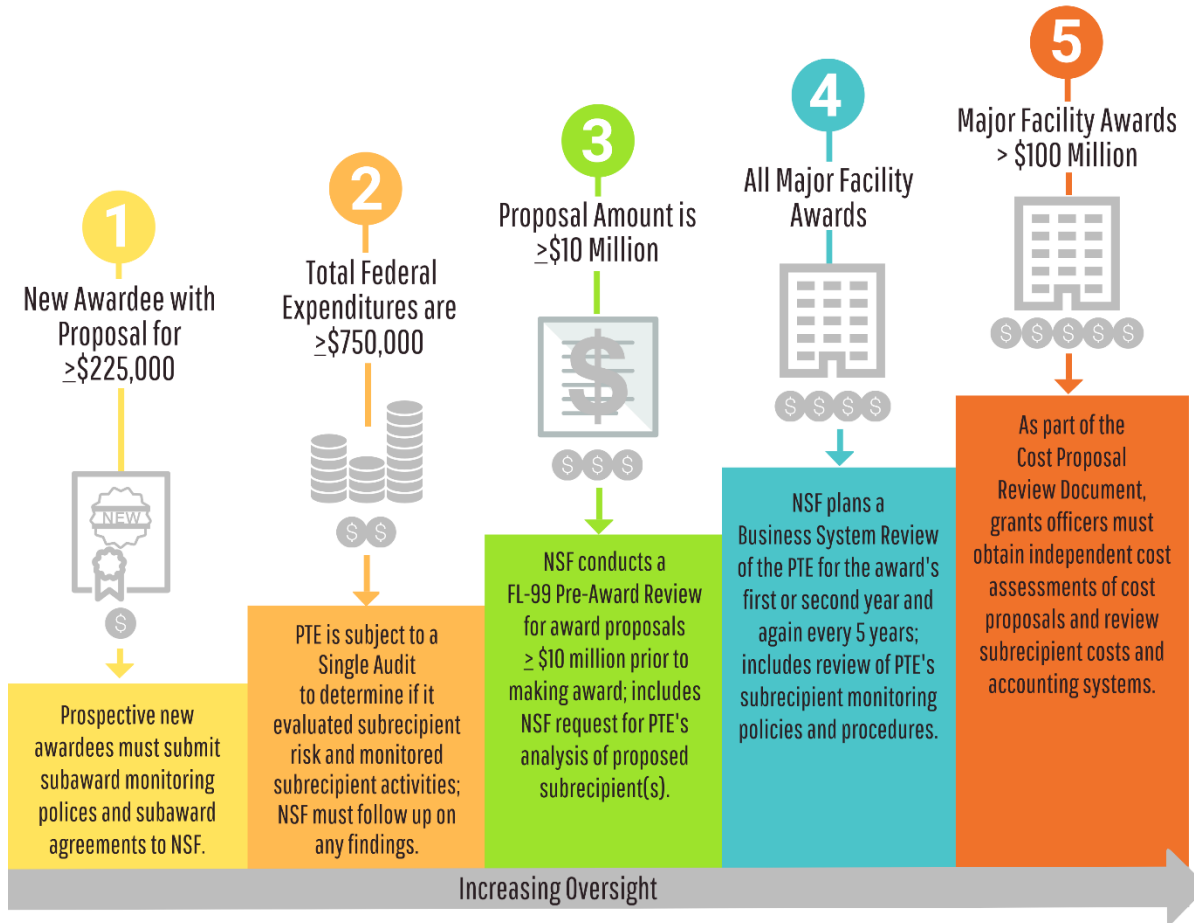
<sup>2</sup> 2 Code of Federal Regulations (CFR) Pt. 200





may be subject to supplementary requirements, such as pre-award reviews that cover subrecipient monitoring and award expenditure testing, depending on factors such as the award type and amount.

**Figure 1. NSF’s Risk-Based Oversight of PTEs**



Source: OIG compilation of NSF subrecipient monitoring reviews

### Audit Purpose

As required by the *American Innovation and Competitiveness Act*,<sup>3</sup> we conducted this audit to determine if NSF’s processes for monitoring grantees were sufficient to ensure that PTEs monitored subrecipients properly. Specifically, as required by the *American Innovation and Competitiveness Act*, the audit assessed NSF’s process to oversee (1) the compliance of PTEs with the Uniform Guidance requirements, (2) whether PTEs have processes and controls in place regarding financial compliance of subrecipients, and (3) whether PTEs have processes and controls in place to maintain approved grant objectives for subrecipients.

<sup>3</sup> Pub. L. No. 114-329



## Results of Audit

In most cases, NSF's processes for monitoring grantees were sufficient to ensure that PTEs monitored subrecipients properly. NSF has procedures to help ensure PTEs oversee their subrecipients' compliance under the Uniform Guidance, comply with financial requirements, and maintain award objectives. However, improvements are needed to ensure that recipients of large and complex awards complete subrecipient risk assessments and consistently identify subawards. Ensuring PTEs complete subrecipient risk assessments and properly identify subawards is critical to help PTEs implement the appropriate level of subrecipient oversight. NSF acknowledged these concerns and is taking steps to strengthen its oversight of PTEs.

### **NSF's Procedures to Help Ensure Financial and Programmatic Compliance**

NSF conducts site visits, business system reviews (BSR), and new awardee reviews to help ensure PTEs oversee their subrecipients' compliance with the Uniform Guidance and financial requirements. To help ensure awardees maintain award objectives, NSF requires awardees to report subrecipient activities in annual and final project reports.

NSF's oversight increases with program value and complexity. For example, program officers responsible for the oversight of smaller awards may primarily review project reports, but program officers responsible for major facilities also reported phone calls, emails, and regular meetings with the awardee. For awards of \$10 million or more, NSF also conducts pre-award reviews, which include the PTE's subrecipient monitoring policies and procedures.

### **NSF's Oversight of Non-Major Facility Awards**

We initially tested 12 awards to determine if NSF applied baseline monitoring procedures and ultimately expanded our sample to determine if NSF applied additional risk-based subrecipient monitoring procedures; see Appendix C. NSF fully implemented its baseline monitoring procedures for the non-major facility grants and cooperative agreements in our sample. For example:

- BFA provided approval for the PTEs to enter into subaward agreements based on receipt of separate budgets and budget justifications that PTEs provided for subrecipients.
- Program officers used progress reports, which included descriptions of subaward activities, to monitor subrecipient performance.
- BFA annually tested a sample of award expenditure transactions for compliance with applicable cost principles, NSF policies, and the award terms and conditions.

NSF implemented additional oversight procedures, using a risk-based approach, when subawards were a significant part of a complex or large award. NSF generally followed key oversight practices for the awards that we reviewed. For example, NSF:



- reviewed subrecipient monitoring policies for new PTEs that were being considered for awards of \$225,000 or more, when subawards were included in the proposal;
- reviewed single audit findings and ensured the one PTE in our sample with subrecipient monitoring findings took appropriate and timely corrective action;
- performed site visit reviews that included a review of the PTE’s subrecipient monitoring policies and procedures; and
- performed pre-award reviews for proposals of \$10 million or more to help ensure compliance with NSF budget submission procedures and inform the negotiation of potential award terms and conditions.

These procedures help NSF ensure PTEs oversee their subrecipients’ compliance under the Uniform Guidance, comply with financial requirements, and maintain award objectives for the majority of grants funded by NSF.

## **Oversight of Subrecipient Risk Assessments on Large and Complex Awards Could Be Improved**

Although NSF follows key oversight practices, it could do more to ensure PTEs of large and complex awards consistently determine the appropriate level of monitoring needed for their subrecipients. According to the Uniform Guidance, PTEs must “[e]valuate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of subrecipient monitoring...” Nevertheless, NSF did not confirm that PTEs conducted subrecipient risk assessments. Specifically, we determined:

- Two major facility PTEs provided risk assessments to NSF, but these documents did not meet the intent of the Uniform Guidance to determine monitoring needed by assessing the subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.
- The third major facility PTE we reviewed received a major facility award prior to the issuance of the Uniform Guidance. We tested another NSF award the PTE received in 2015, after the Uniform Guidance went into effect, and noted that the PTE had not documented a risk assessment for this award until we asked for one as part of this audit.

Risk assessments help PTEs ensure that they are applying the appropriate level of oversight of subrecipients’ programmatic performance and financial compliance. According to the Uniform Guidance, a PTE may decide to implement additional monitoring tools to mitigate risks identified in the PTE’s subrecipient risk assessment and ensure accountability and compliance with program requirements and achievement of performance goals. For example, such tools may include conducting on-site reviews or providing the subrecipients with training.

NSF developed some guidelines and procedures requiring either the PTE of major facilities or NSF to assess subrecipient risks for certain awards. However, in some instances, NSF’s guidance did not align with the Uniform Guidance. Specifically:





- NSF's *FL-99 Pre-Award Review*, which applies to proposals of \$10 million or more, includes a step for NSF cost analysts to request a copy of the PTE's risk assessment before the PTE receives the NSF award. However, the Uniform Guidance does not require the PTE to complete a risk assessment prior to receiving an award.
- NSF's SOG 2016-4, *DACS Cooperative Support Branch Standardized Cost Analysis Guidance*, dated March 1, 2016, requires NSF grants officers to conduct subrecipient oversight, including assessing the adequacy of the subrecipient's accounting system and reviewing the subrecipient's financial viability,<sup>4</sup> for all major facility operations awards with a total estimated value of \$100 million or greater. These requirements were applicable to one of the PTEs that we reviewed, and for that facility, the grants officer did not complete these steps for the PTE's subrecipients. NSF explained that its guidance oversteps the Uniform Guidance by requiring NSF to conduct subrecipient oversight that the PTE should conduct. NSF said it plans to revise this requirement to place responsibility on the PTE to conduct assessments in compliance with the Uniform Guidance.
- NSF's *Large Facilities Manual*<sup>5</sup> contains a requirement for NSF to review the PTEs' pre-award risk assessments for major facility subawards and contracts but NSF did not require PTEs to submit risk assessments before NSF approved subawards. Nevertheless, as previously discussed, the Uniform Guidance does not require PTEs to complete a risk assessment before receiving an award. NSF said it plans to update the manual to require PTEs to complete and document risk assessments, including how key risks identified were mitigated and resolved.

In another instance, NSF did not update its guidance to reflect new requirements established by the Uniform Guidance in 2014. Specifically, NSF's *BFA Business System Review Guide*<sup>6</sup> (BSR guide), which provides guidance for examining how major facility PTEs monitored subaward report requirements and financial and program performance of subrecipients, does not include steps to confirm that the PTE conducted subrecipient risk assessments. NSF stated it is updating its BSR guide to address Uniform Guidance requirements and has created a working group to conduct a comprehensive review and revision of the BSR guide. NSF also said it will evaluate how to strengthen subaward review procedures through BSRs.

Although the Uniform Guidance requires all PTEs to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, it is especially important that PTEs of major facilities conduct subrecipient risk assessments, given those projects' significant cost, complexity, and risk. However, NSF does not have sufficient policies and procedures to ensure PTEs of large and complex awards consistently determine the appropriate level of monitoring needed for their subrecipients. For example, NSF does not specify that subrecipient risk assessments

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<sup>4</sup> SOG 2016-4 requires NSF grants officers to prepare a Cost Proposal Review Document to review the reasonableness of PTE costs, including subawardee costs, for all major facility operations awards with a total estimated value of \$100 million or greater.

<sup>5</sup> NSF 17-066, March 2017

<sup>6</sup> Final Version 4.0, March 27, 2013



should be documented or have a specific mechanism to verify that such assessments were completed. As a result, NSF cannot be certain that the PTE has considered its subrecipients' risk of noncompliance with Federal requirements and award terms.

## **Subrecipients for Major Facility Awards Were Misclassified**

NSF was not always able to identify subrecipients on major facility budget proposals because the systems and documents PTEs used to request approval for subawards did not always distinguish requests for contract funding from requests for subaward funding. Additionally, some PTEs did not include subrecipient budgets or budget justifications with their proposals when required.

## **Inconsistent Terminology in NSF's Proposal Submission Systems and Documents**

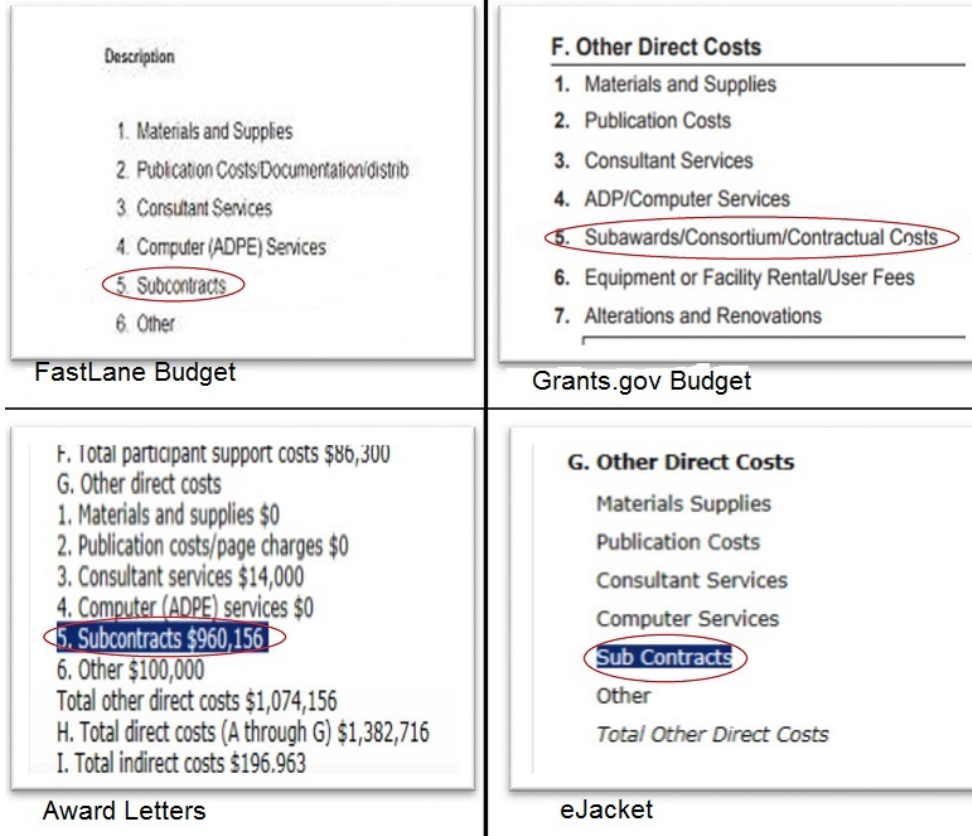
For each agreement the PTE makes to disburse Federal program funds, the PTE is required to determine whether the entity receiving the funds is functioning as a subrecipient or a contractor. According to the Uniform Guidance, the purpose of a subaward is for another entity to carry out a portion of a Federal award, which creates a Federal assistance relationship between the subrecipient and the awardee. In contrast, the purpose of a contract is for the awardee to obtain goods and services for its own use, which creates a procurement relationship between the awardee and the contractor. The PTE's determination of whether the agreement is a subaward or contract determines the nature of the PTE's oversight responsibility. Additionally, the Uniform Guidance treats subaward and contract costs differently in the calculation of the modified total direct cost (MTDC) base used to set indirect cost rates.

PTEs must submit a budget and budget justification to NSF for each subaward and obtain NSF's approval to make the subaward. This may occur before, or after, NSF makes the prime award. NSF's *Proposal and Award Policies and Procedures Guide*, dated January 30, 2017, instructs PTEs to enter subaward costs onto a budget line titled "subawards." However, major facility PTEs often used one budget line for both contracts and subawards because the proposal submission systems and award instruments contained only one line for both items and used different terminology; see Figure 2. For example:

- The FastLane system, through which most proposals are submitted to NSF, labeled the budget line as "Subcontracts."
- Grants.gov, from which NSF estimated it receives about 1 percent of its proposals, labeled the budget line as "Subawards/Consortium/Contractual Costs."
- NSF's award document for cooperative agreements lists the budget line item as "subawards/subcontract." NSF's award document for grants listed the budget line item as "Subcontracts."
- eJacket, an internal NSF system that program officers and grants officers use to monitor awards, listed the line item as "Sub Contracts."



**Figure 2. Comparison of the Line Item for Subawards in Various Systems and Documents**



Source: NSF OIG screen captures, clockwise from top left: FastLane, Grants.gov, eJacket, and an NSF award letter.

For five major facility awards we reviewed, funding that appeared to be for subawards was actually for other costs, such as contracts.

During our audit, NSF acknowledged the need to update its systems and documents to clearly identify subawards. Subsequently, NSF took or committed to the following corrective actions:

- Adjusted eJacket terminology in January 2018.
- Corrected its award notice terminology.
- Agreed to update the terminology on the screen through which potential awardees submit their proposal budgets.
- Agreed to contact the administrator of the Grants.gov website to update the budget line to identify subawards and associated costs clearly.

**Major Facility PTEs Did Not Always Submit Budgets for Subawards**

Although NSF requires PTEs to submit a subrecipient budget and budget justification for each subaward, major facility PTEs did not always provide subrecipient budgets and budget justifications as required. Specifically:



- The PTE for one major facility claimed that 77 fellowships were subawards, but did not submit separate subrecipient budgets and budget justifications for each.
- The PTE for another major facility submitted one proposal budget (as opposed to separate budgets and budget justifications) that combined costs of the PTE and its supporting organization.

Additionally, the award letter for one major facility referred to the recipients of the PTE's funding as both contractors and subawardees.

PTE classification of subawardees must be clear for NSF to identify and authorize subawards, as well as ensure PTEs are conducting subrecipient oversight in accordance with the Uniform Guidance. In addition, the PTE classification of whether the cost is a subaward or a contract affects how much of the cost is included in the PTE's MTDC. MTDC should only include the first \$25,000 of each subaward. If a subaward is inappropriately classified as a contract, the full value of the subaward may be included in the MTDC used to calculate indirect costs.<sup>7</sup> If this occurred, the amount of indirect costs charged to the government would be inaccurate because there is no similar restriction when applying indirect cost rates to contracts.

## Recommendations

We recommend the NSF Chief Financial Officer:

1. Continue efforts to update NSF's policies and procedures to ensure they align with the Uniform Guidance, including:
  - a. *FL-99 Pre-Award Review*
  - b. *BFA Business System Review Guide*
  - c. *SOG 2016-4, DACS Cooperative Support Branch Standardized Cost Analysis Guidance*
  - d. *Large Facilities Manual*
2. Ensure NSF's guidance includes a specific mechanism to verify that PTEs of large and complex awards completed subrecipient risk assessments.
3. Take action to ensure that PTEs clearly identify entities that will receive a subaward. Such action should include the following:
  - a. Update the terminology on the screen through which potential awardees submit their proposed budgets.
  - b. Ask the Department of Health and Human Services, the administrator of the Grants.gov website, to update the budget line to identify subawards and associated costs clearly.
  - c. Ensure grants officers obtain separate budgets and budget justifications from PTEs for subrecipients.

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<sup>7</sup> Indirect costs are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.



## OIG Evaluation of Agency Response

NSF agreed with our recommendations. NSF's response is included in its entirety in Appendix A.





## Appendix A: Agency Response



NATIONAL SCIENCE FOUNDATION  
2415 EISENHOWER AVENUE  
ALEXANDRIA, VIRGINIA 22314

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### MEMORANDUM

**DATE:** JUN 18 2018

**TO:** Mark Bell  
Assistant Inspector General  
Office of Audits

**FROM:** Joan Ferrini-Mundy  
Chief Operating Officer [REDACTED]  
Office of the Director

Teresa Grancorvitz [REDACTED]  
Chief Financial Officer and Head  
Office of Budget, Finance, and Award Management

**SUBJECT:** Official Draft Report, *Audit of NSF's Oversight of Subrecipient Monitoring*

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The National Science Foundation (NSF) appreciates the opportunity to review and provide comments on the OIG draft report. NSF ensures that its stewardship over U.S. taxpayer's money is a high priority. A major responsibility is NSF's oversight of its awardee organizations, including their responsibility to oversee their subrecipients. NSF welcomes the OIG suggestions to further strengthen protocols currently in place.

NSF agrees with the OIG recommendations included in the report. NSF is confident that the actions already taken and its anticipated actions will result in further improvement of NSF's oversight protocols.

In closing, on behalf of the NSF staff participating in the engagement, we want to acknowledge the OIG staff for its diligence and commitment to understanding fully NSF's oversight processes and complexities. We look forward to receiving the final report. If you have any concerns, please contact Teresa Grancorvitz, CFO, at (703)292-4435.

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Allison Lerner Jayne Hornstein John Anderson  
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John Veysey William Kinser James Ulvestad  
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## Appendix B: Objective, Scope, and Methodology

The objective of this performance audit was to determine if NSF's processes for monitoring awardees are sufficient to ensure that PTEs monitor subrecipients properly.

The *American Innovation and Competitiveness Act*,<sup>8</sup> signed January 6, 2017, required NSF OIG to prepare and submit an audit of NSF's policies and procedures governing the monitoring of PTEs with respect to subrecipients. Specifically, the Act required the audit to include information regarding NSF's process to oversee (1) the compliance of PTEs with the Uniform Guidance requirements, (2) whether PTEs have processes and controls in place regarding financial compliance of subrecipient, and (3) whether PTEs have processes and controls in place to maintain approved grant objectives for subrecipients.<sup>9</sup>

We conducted this performance audit between March 2017 and January 2018 in accordance with generally accepted government auditing standards. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

We performed a query of the NSF awards database for active awards that had funds budgeted on the line item "subawards." We identified 4,697 active NSF awards with subawards as of January 31, 2017. As noted within the report, since we found that major facility PTEs often budgeted other costs on the subaward line, this universe may include awards that do not have subawards, so we cannot rely on its accuracy.

To achieve our objective, we reviewed a judgmentally selected sample of 12 active awards with subawards from NSF's award database. We selected the following three PTEs based on the cumulative dollar value of their active subaward portfolios of January 31, 2017:

- 1) Old Dominion University Research Foundation, located in Norfolk, Virginia, with \$3 million in subawards;
- 2) University of Colorado Boulder, located in Boulder, Colorado, with \$27 million in subawards; and
- 3) Consortium for Ocean Leadership, located in Washington, D.C., with \$187 million in subawards.

For each of the three PTEs, we judgmentally selected four NSF awards with subawards. In choosing awards, we sought a mix of program offices and award types, *i.e.* grants and cooperative agreements, as well as a mix of award length, *i.e.* some recently awarded and some nearly complete.<sup>10</sup> For each of these awards, we reviewed each PTE's subrecipient oversight policies, met with both PTE and NSF award and program officials for each award, and reviewed documentation supporting NSF's monitoring. The total

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<sup>8</sup> Pub. L. No. 114-329

<sup>9</sup> Pub. L. No. 114-329 § 206 (a)(b)

<sup>10</sup> One of the awards selected from Consortium for Ocean Leadership was a major facility award.



amount of awards reviewed for these three PTEs was \$327 million, which included subawards totaling \$201 million.

As there was only one major facility award in our original sample, we judgmentally selected seven additional major facilities with subaward budgets. However, NSF subsequently determined that five of the seven major facility awards we selected did not have actual subawards; rather, the funds initially budgeted as subawards were actually for other costs. From the universe of major facility awards made since Uniform Guidance was issued in 2014, we selected two awards with subawards as verified by the cognizant Grants and Agreements Specialist.

For the 14 awards we ultimately included in our sample, we determined if NSF applied baseline and additional risk-based subrecipient monitoring procedures, as applicable. We met with both PTE and NSF award and program officials, and reviewed documentation supporting NSF's oversight. In cases where NSF's oversight processes were not applicable to our sample, we reviewed additional awards to gain assurance that they were performed as prescribed. Appendix C lists the policies and procedures that we tested.

We made recommendations in the report where we identified NSF did not comply with its policies and procedures and where internal controls could be strengthened.

We corroborated computer-processed data, which included emails, proposals, award letters, and notes to the record documented in eJacket, with other sources to ensure its reliability. Because they were not deemed relevant to our audit objectives, our audit procedures did not include obtaining an understanding of NSF information systems controls; evaluating the controls' design and operating effectiveness; or identifying any procedures related to the controls. We did not identify any instances of fraud, illegal acts, violations, or abuse.



## Appendix C: Audit Tests of NSF’s Oversight of PTEs

**Table 1. OIG Baseline Oversight Testing Results**

The following table documents our testing of NSF’s baseline oversight for the initial 12 awards in our sample, one of which was a major facility. NSF applies these procedures to all awards, regardless of award amount.

Tests of NSF’s Baseline Oversight		
NSF policy	Scope of Test	Test Results
<i>NSF Proposal and Award Policies and Procedures Guide</i> requires PTEs to obtain NSF’s approval before making a subaward.	Initial sample of 12 awards.	Sufficient. NSF provided approval for the 12 PTEs in our initial sample to enter into subaward agreements based on receipt of separate budgets and budget justifications that PTEs provided for subrecipients.
<b>NSF Grant General Conditions</b> requires PTEs to include subaward activities in the annual and final project report to NSF.	Initial sample of 12 awards.	Sufficient. NSF program officers used progress reports, which included subaward activities, to monitor subrecipient performance.
<b>NSF BFA SOG, BFA 2016-1, March 30, 2016</b> , award expenditure transaction testing, states that NSF annually tests a representative sample of payment/expenditure transactions to identify potential unallowable, unsupported, or erroneous award expenditures.	FY 2016 payment-testing report (the most recent year available at the time of our audit).	Sufficient. For FY 2016, NSF tested 10 percent of all award payments; 11 percent of the sampled expenses were subawards.
<b>NSF Grant Condition GC 1 and Cooperative Agreement Financial &amp; Administrative Terms and Conditions</b> state that by acceptance of this grant, the grantee agrees to comply with the applicable Federal requirements and to the prudent management of expenditures and actions affecting the grant, including the monitoring of subrecipients.	Initial sample of 12 awards.	Sufficient. The award terms and conditions were appropriately incorporated into the award letters.

Source: OIG analysis of NSF data





**Table 2. Increased Oversight for Non-Major Facility Awards**

The following table documents our testing of NSF’s increased oversight for non-major facility awards. Because our original sample of 12 PTEs did not always allow for sufficient testing of these additional procedures, we selected additional awards to test.

Tests of NSF’s Increased Oversight for Non Major Facility Awards		
NSF policy	Scope of Test	Test Results
<i>NSF Advanced Monitoring Site Review Guide</i>	Eight awards, four of which had subawards.	Sufficient. NSF performed site visits that included a review of PTEs’ subrecipient monitoring policies and procedures when applicable.
<b>NSF Grant General Conditions</b>	Single audit reports for initial sample of 12 awards.	Sufficient. NSF reviewed results of single audits required of PTEs with total expenditures of \$750,000 or more, and NSF was involved in the resolution of findings of PTE noncompliance with the Uniform Guidance.
<i>NSF Prospective New Awardee Guide</i>	All 8 new institutions with awards more than \$225,000 in third quarter of FY 2017.	Sufficient. NSF reviewed new PTEs being considered for awards of \$225,000 or more, including a review of the PTE’s subrecipient monitoring policies when subawards were applicable to the proposal.
<b>Division of Institution and Award Support SOG 2015-1, FL-99 \$10M CAAR Pre-award Budget Review</b>	All 7 pre-award reviews completed for active NSF awards of \$10 million or more, which were awarded after the policy effective date in January 2015.	Partially sufficient/Unable to determine. NSF performed pre-award reviews as required. However, six of the seven PTEs did not provide a risk assessment to NSF when requested. Therefore, we could not determine whether these PTEs evaluated their subrecipients’ risk of noncompliance with Federal requirements. Because the Uniform Guidance does not require PTEs to complete a risk assessment prior to receiving an award, NSF instead obtained three PTEs’ subrecipient monitoring policies and procedures detailing how they planned to perform the risk assessment. The other three subrecipients did not have such policies.

Source: OIG analysis of NSF data



## Appendix D: OIG Staff Acknowledgments

Elizabeth Goebels, Director, Performance Audits; Kelly Stefanko, Audit Manager; Jayne Hornstein, Senior Program Manager; Elizabeth Argeris Lewis and Holly Snow, Communications Analysts; Catherine Walters, Independent Report Referencer; and Lisa Vonder Haar, Chief of Staff, made key contributions to this report.



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