NSF Data Analytics Audit Update

Research Administrators Forum
December 7, 2016

Ben Bell
Manager, Research Compliance
Outline

• Introduction
• Timeline
• Areas of focus
• Next steps
• Lessons learned
• Questions
THANK YOU..
October 6, 2014

Mr. Andres A. Chan
Director, Office of Financial Analysis
University of Southern California
3500 S. Figueroa Street
Suite 107
Los Angeles, CA 90089

Dear Mr. Chan:

The National Science Foundation (NSF) Office of Inspector General (OIG) is initiating an audit of costs claimed by the University of Southern California (USC or University) on NSF awards made to the University. The audit objective is to determine if costs claimed are allowable, allocable, reasonable and in conformity with NSF award terms and conditions and applicable federal financial assistance requirements. Costs claimed refer to expenditures reported by USC on Federal Financial Reports (FFRss) or Award Cash Management Service (ACM$) payment requests filed during the audit scope which spans the period beginning October 1, 2011 through September 30, 2014.
Timeline
10/6/14 – Large data request from NSF OIG including 14 different types of data (general ledger, payroll data, eMarket data, Pcard data, Travel reimbursement data, rate agreements, policies, etc.) $123M in charges across 225 awards

11/7/14 – Start to provide requested data to the NSF OIG

1/7/15 – Provide final requested data to the NSF OIG
Timeline 1/4/15 - Season 7 premiere of THE CELEBRITY APPRENTICE
Timeline 5/20/15 - Final David Letterman show
Timeline

11/20/15 – NSF requests 1st sample of 250 transactions

<table>
<thead>
<tr>
<th>Source System</th>
<th>Count of Transactions</th>
<th>% of Total Transactions</th>
<th>Total Transactions</th>
<th>% of Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>GL</td>
<td>190</td>
<td>76%</td>
<td>$3,792,151</td>
<td>92%</td>
</tr>
<tr>
<td>PPBS</td>
<td>31</td>
<td>12%</td>
<td>$152,097</td>
<td>4%</td>
</tr>
<tr>
<td>Workday</td>
<td>29</td>
<td>12%</td>
<td>$186,816</td>
<td>5%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>250</td>
<td>100%</td>
<td>$4,131,064</td>
<td>100%</td>
</tr>
</tbody>
</table>

37% of $ sampled were M&S
30% of $ sampled were Equipment
Primarily from Dornsife and VSoE
Timeline

2/1/16 - 1st site visit begins with Kearney & Company

Kearney specialty is OMB Circular No. A-123 which “defines management's responsibility for internal control in Federal agencies.”
Areas of focus

Kearney questions specific transactions in sample:

- General Supplies – 3 rounds
- Equipment – 2 rounds
- Travel – 2 rounds
- Payroll – 2 rounds
- Miscellaneous – 1 round (mostly Student Aid)
Areas of focus
Preliminary findings on first sample – top item

<table>
<thead>
<tr>
<th>Finding #</th>
<th>Finding Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unreasonable, Unallowable, and Unsupported Travel Costs</td>
</tr>
<tr>
<td>2</td>
<td>Unreasonable Payroll Charges</td>
</tr>
<tr>
<td>3</td>
<td>Unreasonable Equipment and Supplies Charges</td>
</tr>
<tr>
<td>4</td>
<td>Expenditures Near Award Expiration</td>
</tr>
<tr>
<td>5</td>
<td>Participant Support</td>
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<tr>
<td>6</td>
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<tr>
<td>7</td>
<td>Unreasonable Consulting Expenses</td>
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## Areas of focus

Preliminary findings on first sample – 2\textsuperscript{nd} group

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Timeline/Areas of Focus

7/12/16 – 2\textsuperscript{nd} sample of 60 additional transactions selected (55 GL and 5 Payroll)
9/12/16 – 2\textsuperscript{nd} site visit with Kearney (transaction testing and other areas)

<table>
<thead>
<tr>
<th>Site Visit # 2 - Follow Up Question Area</th>
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<tbody>
<tr>
<td>General Ledger (50 Items)</td>
</tr>
<tr>
<td>Payroll (5 Items)</td>
</tr>
<tr>
<td>Grad Student Rebudgeting (10 Items)</td>
</tr>
<tr>
<td>Indirect Costs – Subawards (1 Award)</td>
</tr>
<tr>
<td>Indirect Costs – Adjustments – Part A (7 Awards)</td>
</tr>
<tr>
<td>Indirect Costs – Adjustments – Part B</td>
</tr>
<tr>
<td>Participant Support – Part A (5 Awards)</td>
</tr>
<tr>
<td>Participant Support – Part B (4 Awards)</td>
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</table>
Timeline 11/2/16 Cubs win for 1st time in 108 years
Next steps

12/7/16 – Kearney field work ends

• Kearney will now prepare a preliminary audit report for the NSF
• We get one more chance to provide additional information
• NSF will issue a final report
• Option to dispute findings to NSF CAAR (Cost Analysis and Audit Resolution)
Next steps for USC

Continue audit process from USC side

Look for areas of process improvements

Look for areas to develop additional guidance
Lessons Learned

• Charges near end dates for equipment and supplies
  – Why is it needed now?
  – Is it allocated properly?
  – Is a no-cost extension needed?
  – For equipment, when was it budgeted for?
Lessons Learned

• Long travel reimbursements (focus on foreign trips)
  – Was the trip budgeted for? If not, need a strong business purpose and justification.
  – In many cases, who, where, what documented well. Need a better why.
  – Is the trip a mix of business and personal travel? If so, how were expenses separated and was best airfare purchased.
Lessons Learned

§200.75 Participant support costs.

Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

– May only be used for expenses for or related to participants
– Any rebudgeting out of this cost category requires prior approval for NSF
Lessons Learned

• Grad Student Rebudgeting
  – Graduate student support key aim of NSF awards
  – Prior approval is only necessary with a change in scope
  – Should be legitimate reason funds weren’t spent
  – If graduate students were involved with the research but not supported important to document in progress reports
Questions?
Ideas?
Comments?
Suggestions?

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