



NSF OIG CORNER

Promising Practices for Award Management

Over the past 3 years, an independent public accounting firm that conducts audits of NSF award recipients on our behalf has been observing, identifying, and cataloging strengths and opportunities for improvement within each recipient's award management environment. We recently published a capstone report based on this body of work, *Promising Practices for NSF Award Management*, which suggests ways to improve controls in areas that often result in audit findings. In this article, we'll go over some of the common findings and promising practices described in the capstone report.

By Ken Lish and Billy McCain

Common Findings

The most common audit findings at the institutions we audited included:

- **Unallowable expenses**—We identified costs related to unallowable travel, participant support, salary, material/supply, fringe benefit, publication, consultant, and subaward costs to NSF awards.
- **Inappropriately applied indirect costs**—Recipients did not always apply indirect costs to the appropriate Modified Total Direct Cost base and did not apply indirect costs at the rates approved within the recipient's Negotiated Indirect Cost Rate Agreements.
- **Inadequately supported expenses**—Recipients did not always maintain sufficient evidence to support that costs claimed in NSF's Award Cash Management Service, costs billed by internal service providers, and travel, salary, and consultant costs charged to NSF awards were allowable per federal and NSF regulations.
- **Inappropriately allocated expenses**—We identified instances where recipients inappropriately allocated travel, materials and supplies, publication, and student stipend or tuition costs to NSF awards.
- **Non-compliance with policies and procedures**—Recipients did not always comply with, or did not document their compliance with, organization and NSF program-specific policies and procedures.

Promising Practices

The capstone report identifies promising practices that could help decrease the likelihood of recipient non-compliance with federal and NSF criteria, as well as improve the stewardship of federal funds:

- **Continually monitor and verify the allowability of high-risk expenses.** Recipients were less likely to charge unallowable costs to NSF awards if they implemented processes for the continuous monitoring of high-risk expenses, rather than waiting until after the award expired to review the allowability of the expenses.
- **Strengthen controls over applying indirect cost rates.** For example, recipients could implement controls to identify when indirect cost rates change between the proposal submission date and the award date, and establish guidance identifying the appropriate indirect cost rate for sponsored projects awarded during provisional rate periods.
- **Ensure recipients create and maintain sufficient, appropriate documentation.** Recipients with more robust requirements for documentation creation and retention were more likely to maintain sufficient, appropriate documentation to support that expenses charged to NSF awards were reasonable, allocable, and allowable.
- **Document and justify reasonable allocation methodologies.** Recipients that require personnel to document and justify reasonable allocation methodologies when purchasing goods and services were

more likely to maintain sufficient documentation to support that they had allocated sampled expenses to NSF awards consistent with the relative benefits received by those awards.

- **Regularly review and update grant management policies and procedures.** Recipients would have benefited from reviewing and updating their grant management practices on a regular basis. Many noted that the policies cited in the audit reports did not accurately reflect their current procedures or they were already in the process of updating the cited policies and procedures.

The capstone report also includes examples of common sub-findings with suggestions for strengthening controls; promising practices being used by recipients; and a glossary of federal and NSF criteria.

We hope the capstone report will serve as a reference for NSF's recipient community to consider when evaluating its own policies. We encourage community members to review the full report on our website at <https://oig.nsf.gov/reports-publications/reports/audit>.

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