

# **Audit of NSF's Resolution and Followup Process for External Audits**

*National Science Foundation*  
**Office of Inspector General**

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## **Executive Summary**

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### **Background**

The National Science Foundation (NSF) supports basic research and education through funding competitive, merit-based grants and agreements. In order to meet its stewardship responsibilities, NSF must ensure that the recipients of these funds are using them for authorized purposes, accounting for them properly, and abiding by Federal laws and regulations.

Independent audits conducted by the NSF Office of Inspector General (OIG) of the institutions receiving NSF funds are one mechanism available to NSF to effectively oversee its awarded funds. The process of resolving the findings and recommendations contained in these external audit reports, and following up to ensure that institutions implement proposed corrective actions, allows for addressing current and preventing future issues found at NSF's funded institutions.

Federal guidance and expectations for resolving audits conducted by OIGs are outlined in the Office of Management and Budget's (OMB) Circular A-50, *Audit Followup* (Circular A-50), and in the Inspector General Act of 1978, as amended (IG Act). Taken together, these two documents define relevant terms, outline agency and OIG responsibilities, and establish expectations and responsibilities for audit resolution and followup systems with timeframes for resolving and taking corrective action on OIG and other Federal audits.

### **Objective**

The audit resolution and followup process is critical to ensuring that institutions take the corrective actions necessary to properly manage Federal funds; therefore, the objective of this audit was to determine whether NSF has adequate policies, procedures, and practices to ensure effective and timely resolution of audit findings and recommendations and followup of corrective actions for audits of NSF award recipients.

### **Results in Brief**

Our review found that NSF's audit resolution and followup policies and procedures and implementing practices are inadequate to effectively respond to and address the findings and recommendations reported in OIG audits of NSF's awardee institutions.

Specifically, NSF's audit resolution policies, procedures, and, most importantly, practices do not recognize the shared responsibility between the agency and the OIG for the resolution of external audits of its awardee institutions, as required by OMB Circular A-50. By not formally recognizing and providing opportunities for the auditors' role in audit resolution, NSF risks negotiating incomplete or ineffective corrective action plans, as we found in 19 of 34 sampled audits.

In addition, although followup is required by Circular A-50, NSF's interpretation of both Circular A-50 and its own policies do not ensure that institutions implement corrective actions. Consequently, in [REDACTED] sampled audits, NSF did not confirm that audit-reported award management accounting and internal control weaknesses had been fixed.

### **Recommendations**

We recommend that the NSF Director, in conjunction with the NSF Inspector General:

1. Issue an overarching policy directive that recognizes audit resolution as an agency priority and a shared responsibility between NSF management and the OIG.
2. Revise agency policies, procedures and practices for resolving and following up on report findings and recommendations for external audits to comply with the provisions of Circular A-50 and the IG Act.
3. In coordination with the OIG, provide training to all staff involved in the audit resolution process regarding roles and responsibilities and the impact of the new and revised policies and procedures.
4. Reconsider the organizational placement of NSF's audit resolution function and, at a minimum, establish procedures to address and prevent potential personal conflicts of interest in resolving audits at institutions where an NSF staff member has provided advice and assistance.

### **Agency Response and OIG Comments**

NSF indicates general agreement with the report's recommendations and has proposed a joint NSF/OIG working group to consider strategies for improving the agency's audit resolution and followup processes. However, because NSF plans to continue to utilize its existing processes, it is important that the joint working group convene as soon as possible and move to expedite its review in order to clarify NSF's position on the report recommendations and implement new procedures consistent with OMB Circular A-50.