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Report on Research Compliance Volume 17, Number 3. February 20, 2020
NSF OIG Deploys 'Redesigned' Audit Approach: Assess the 'Environment,' Then Target Inquiries

By Theresa Defino

Institutions with federal research dollars, particularly from the National Science Foundation (NSF), know they may be subject to an audit by the funding agency's Office of Inspector General (OIG). NSF OIG is quite active in this area, conducting more than a dozen incurred cost audits most years.

Although NSF OIG has been refining its audit process in recent years, it remained quite labor intensive for both the auditors and auditees. Then, once the audit was done and submitted to NSF for action, the resolution process could also be protracted, especially when a university or other award recipient disagreed with any OIG findings and repayment requests. While ultimately successful for Purdue University, its recent audit took 3 1/2 years from start to finish and involved "pages and pages" of exchanged documents.[1]

But there's potentially good news: As a result of a "redesign" of its process, not all institutions will automatically undergo a full incurred cost audit. Decisions will be based on the results of a "survey" OIG does first, according to Mark Bell, NSF OIG assistant inspector general for audit.[2] So far OIG has handled eight awardee audits this way, and, in one case, it has meant no true audit at all. For one, however, OIG is doing an audit and some additional testing.

Bell described the new process at last month's National Science Board (NSB) meeting, where it received a positive response—including from members of NSF itself.

As Bell explained, before the change, "We simply conducted incurred cost audits on everyone. We decided maybe that's not the best way to do business."

Now, an audit has two phases. "In phase one, we do an assessment or survey of the university that's been selected for audit," which includes reviewing "their overarching controls on the grant process, such things as the internal control environment, their accounting system, their culture...various elements of what should be in a control environment," he said.

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