

NATIONAL SCIENCE FOUNDATION  
4201 WILSON BOULEVARD  
ARLINGTON, VIRGINIA 22230



OFFICE OF THE  
DIRECTOR

May 13, 2017

Maria T. Zuber, Ph.D.  
Chairperson, National Science Board  
Massachusetts Institute of Technology, Rm 3-234  
77 Massachusetts Avenue  
Cambridge, MA 02139-4307

Dear Dr. Zuber:

The National Science Foundation herewith transmits its response to the Office of Inspector General's (OIG) Semiannual Report, which covers the period from October 1, 2016, through March 31, 2017. Also included for the same time period is the management report on final actions on audits with disallowed costs.

Our response provides additional information about NSF's responses to three OIG reports issued during this reporting period: (1) the FY2016 Financial Statement Audit; (2) the NSF Conference Spending Audit; and (3) the Review of the Project Baseline Schedule for NSF's Relocation. Finally, we affirm our commitment to working with the OIG toward our shared goal of effective stewardship of taxpayer dollars.

Sincerely,

A handwritten signature in black ink that reads "Joan Ferrini-Mundy".

Joan Ferrini-Mundy, Ph.D.  
Acting Chief Operating Officer

Enclosures

cc: Dr. France Córdova

## **Agency Response to the Office of Inspector General's Semiannual Report to Congress**

NSF appreciates the opportunity to provide its response to the Office of Inspector General's (OIG) Semiannual Report, covering the period from October 1, 2016, through March 31, 2017. We are pleased that the OIG recognizes NSF's improvements in large facility oversight in its Semiannual Report and that a significant number of internal audit recommendations have been closed. Correspondingly, over the reporting period, the OIG has provided constructive feedback for the remaining open recommendations that will assist the Agency in completing corrective actions and identifying paths forward to address the OIG's findings. Finally, we acknowledge the OIG's assistance in improvement of our tracking of open internal recommendations.

In view of the foregoing, our response is brief and focuses on three areas of the OIG's audit work during this reporting period. The three areas are (1) the FY 2016 Financial Statement Audit; (2) other audits related to NSF's business systems and operations; and (3) the Management Report required by the Inspector General Act on Final Actions Taken on (External) Audits with Disallowed Costs (also known as the Final Action Tables).

### **I. FY 2016 Financial Statement Audit Results**

We are very proud that NSF received its 19<sup>th</sup> consecutive unmodified audit opinion on its financial statements and continued its record of no material weakness in internal control over financial reporting. This year's audit was delayed by a bid protest to the OIG audit contract, which brought unprecedented challenges and therefore required unprecedented collaboration. Notwithstanding the compressed audit schedule, in FY 2016, NSF reached two major milestones: (1) the longstanding deficiency on monitoring of construction-type cooperative agreements was resolved; and (2) NSF was found compliant with the Improper Payments Elimination and Recovery Act reporting requirements.

The auditors did, however, identify a new significant deficiency related to NSF's information technology access controls and monitoring process. The Agency is taking this determination very seriously, and we have taken immediate actions to address the risks raised. While NSF does not agree that the aggregation of individual operational and documentation issues from disparate systems constitutes a control deficiency in financial reporting oversight significant enough to merit a finding in the audit report, we will nonetheless continue to take the corrective actions agreed upon by the OIG to address these findings.

### **II. OIG Audit Reports for Conference Spending and NSF Relocation**

During this reporting period, the OIG issued audit reports for NSF Conference Spending and the Baseline Schedule for NSF's Relocation. For the Conference Spending audit, we are pleased that the OIG resolved all recommendations in view of NSF's corrective action plan. Most recently, the OIG closed 3 of the 8 recommendations based on our actions to date, and we look forward to completing the remaining corrective actions so as to close the report.

With respect to the OIG's report on the Baseline Schedule for NSF's Relocation, we emphasize that, at present, NSF's relocation is on schedule. We are committed to managing potential schedule risks associated with the relocation, which NSF accomplishes by maintaining an accurate, updated and useful integrated project schedule. While NSF did not agree with either of the OIG's two (2) recommendations, we have proposed alternatives to address the underlying concerns, as follows: (1) NSF has provided the OIG an updated integrated project schedule, and also has been providing additional information to the OIG about nearly all predecessor and successor activities, as applicable; and (2) NSF has required – and will continue to require – bi-weekly updates from the contractors we manage in connection with NSF's Relocation.

In sum, NSF continues to implement corrective actions for these audits so as to timely and fully respond to the OIG's recommended improvements for NSF's business systems and operations.

### **III. The Management Report on Final Actions of Audits**

The "Management Report on Final Actions Taken on Audits with Disallowed Costs" (also known as Final Action Tables) is appended to this report. The Final Action Tables are developed in parallel to the OIG Semiannual Reports and provide information on all resolved audit reports requiring recovery of disallowed costs (collections, offsets, write-offs, demands for payment and other monetary benefits resulting from audits). These tables are submitted to the Agency Head semi-annually, as required by OMB Circular No. A-50, Revised, Section 8.a.(8), who provides them to the OIG to be submitted to Congress in conjunction with the OIG's Semiannual Report to Congress.

### **Conclusion**

NSF will continue to implement improvements in large facility oversight while completing corrective actions responsive to the Financial Statement Audit's IT findings and other audit reports. NSF remains committed to working with the OIG toward our shared goal of effective stewardship of taxpayer dollars.



Report Number	Grantee	Questioned Costs	Resolved Date	Dollars Sustained	Offset	Award Adjustment	Payback	Amount Sustained	Comments
09-5-048	College of the Mainland	110,629.00	03/17/16	15,004.00			15,004.00		Completed
14-5-105	Little Priest Tribal College	51,112.00	03/03/05	51,112.00			51,112.00		Completed
15-5-049	Paine College	177.00	12/07/15	177.00		177.00			Awardee on status of final
16-1-022	Georgetown University	110,547.00	09/30/16	135,638.00			135,638.00		Pending
16-4-028	Toyota Technological Institute at Chicago	25.00	09/30/16	25.00		25.00			Pending
16-5-031	Tuskegee University	15,586.00	09/30/16	15,586.00		720.00			Pending

**Management Report on Final Action  
on Audits with Recommendations for Better Use of Funds  
Agreed to by Management  
For the Six-month Period Ended March 31, 2017**

	<b>Number of Reports</b>	<b>Dollar Value</b>
<b>A. Audit Reports with management decisions on which final action had not been taken at the beginning of the period</b>	<b>0</b>	<b>\$0</b>
<b>B. Audit Reports on which management decisions were made during the period</b>	<b>0</b>	<b>\$0</b>
<b>C. Audit reports on which final action was taken during this period (Total A+B)</b>	<b>0</b>	<b>\$0</b>
<b>D. Recommendations on which final action was taken during this period</b>	<b>0</b>	
<b>(1) the dollar value of recommendations that were actually completed</b>		<b>\$0</b>
<b>(2) the dollar value of recommendations that management subsequently concluded should not or could not be implemented or completed</b>		<b>\$0</b>
<b>E. Audit reports for which no final action has been taken by the end of the reporting period (C-D)</b>	<b>0</b>	<b>\$0</b>

**Management Report on Final Actions  
Taken on Audits with Disallowed Costs for the Six-month Period  
Ended March 31, 2017**

	<b>Number of Reports</b>	<b>Dollar Value</b>
<b>A. Audit reports with management decision on which final action has not been taken at the beginning of the period</b>	<b>5</b>	<b>\$160,804</b>
<b>B. Audit reports on which management decisions were made during the period</b>	<b>10</b>	<b>\$919,015</b>
<b>C. Total audit reports pending final action during this period (Total A+B)</b>	<b>15</b>	<b>\$1,079,819</b>
<b>D. Audit reports on which final action was taken during this period</b>		
<b>(1) Recoveries</b>		
a) Collection and Offset	5	\$189,232
b) Amount uncollectible	0	
<b>(2) Write-offs</b>	0	
<b>E. Audit reports needing final action at the end of the reporting period (C-D)</b>	<b>10</b>	<b>\$890,587</b>
<b>F. Total (D+E)</b>	<b>15</b>	<b>\$1,079,819</b>