

FY 2020 OMB Supplemental Data Call

National Science Foundation (NSF)

Contents

| | |
|--|---|
| FY 2020 OMB Supplemental Data Call NSF..... | 1 |
| Agency-Wide Responses | 2 |
| Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))..... | 2 |
| Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1)) | 3 |
| Question 3: Recovery Audits (PIIA Section: 3352)..... | 3 |
| Question 4: Excluded Programs (PIIA Section: 3352(e) (7))..... | 4 |
| Question 5: Financial and Administrative Controls (PIIA Section: 3357(d)) | 4 |
| Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))..... | 4 |
| Question 6 Free Text: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a) (3) (C)) | 5 |
| Research and Education Grants | 6 |
| Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))..... | 6 |
| Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))..... | 6 |
| Question 8 Free Text: Tolerable Rate | 6 |
| Question 9 Free Text: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))..... | 6 |
| Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1)) | 6 |
| Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1)) | 7 |
| Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5)) | 7 |
| Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5)) | 7 |
| Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5)) | 7 |
| Question 15 Free Text: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))..... | 7 |
| Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5)) | 8 |
| Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))..... | 8 |

Agency-Wide Responses

Question 2: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Please describe the steps the agency has taken to detect and recover improper payments.

ANSWER:

| Indicate root cause | Indicate mitigation strategy/corrective action(s) taken | Provide any additional detail (optional free text) | Select the actual completion date for action(s) taken |
|---|---|--|---|
| 11. Administrative or Process Errors Made by: Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars) | 6-Audit (improve IC) | NSF conducts annual internal control testing of grantee expenditures. | FY2020 Q3 |
| 11. Administrative or Process Errors Made by: Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars) | 1-Automation | NSF is developing a prototype quantitative model to help inform improper payment risk. | Other |
| 4. Failure to Verify: Death Data | 1-Automation | NSF processes all payments through Treasury's Do Not Pay platform. | Other |
| 6. Failure to Verify: Excluded Party Data | 1-Automation | NSF processes all payments through Treasury's Do Not Pay platform. | Other |
| 8. Failure to Verify: Other Eligibility Data (explain) | 1-Automation | NSF validates that all payment recipients have a valid SAM registration prior to disbursement. | Other |

Question 2 Free Text: Detecting and Recovering Improper Payments (PIIA Section: 3352(e), 3352(e) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: For NSF's grant and cooperative agreement program, the agency equates an unallowable cost to an improper payment. The closest root cause for unallowable costs is "Administrative or Process Errors Made by Other Party", as grantees make decisions on expenses incurred using federal NSF funds.

As part of its annual Data Analytics and Assurance Program (DAAP), NSF conducts expenditure testing by statistically sampling payments and reviewing supporting documentation provided by the payment recipient. The payment testing process focused on evaluating whether sampled expenses were expressly unallowable costs, and verifying that the sampled institutions maintained sufficient supporting documentation for these expenses. To identify expressly unallowable costs, NSF reviewed the relevant award agreements, NSF policies and procedures, OMB's Uniform Grants Guidance, other federal regulations, and the institution's policies, as applicable. In FY 2020, NSF's grant payment testing yielded low incidence of unallowable costs within the agency's grant population, which is consistent with its historical testing results.

NSF recently developed a prototype risk model that uses Single Audit data to provide a quantitative view of which NSF awardees may present relatively higher risk of improper payments. NSF plans to evaluate this model to use in a predictive manner in FY 2021, which will help address certain OMB risk factors in its next improper payment risk assessment.

All NSF payments are compliant with Treasury's Payment Application Modernization format and are screened against the following data sources: Social Security Death Master File (DMF) [public information] and the GSA System for Award Management (SAM) Exclusion Records [restricted information]. Any subsequent matches are viewable in Treasury's DNP online portal for adjudication purposes. There were no positive matches against DMF or SAM for any payments that NSF issued in FY 2020.

Finally, prior to releasing a payment for disbursement, NSF systems validate that all NSF grant payment recipients have an active System for Award Management (SAM) registration at the time of payment. This enforces eligibility requirements under the Uniform Guidance that grantees continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency.

Question 3: Recovery Audits (PIIA Section: 3352)

Please describe the steps the agency has taken to recover improper payments identified in recovery audits. Please note there is a 3000 character limit.

ANSWER: NSF did not conduct payment recapture audits during FY 2020. OMB agreed with NSF's analysis that it would not be cost effective for the agency to conduct a recapture audit program. No circumstances have changed within the program requiring NSF to repeat its payment recapture cost-effectiveness analysis and resubmit to OMB.

Question 4: Excluded Programs (PIIA Section: 3352(e) (7))

Please list any programs the agency excluded from review under its payment recapture audit program because a payment recovery audit program was determined to not be cost-effective and provide a summary of the justification used to make that determination. Please note there is a 3000 character limit.

ANSWER: OMB Circular A-123, Appendix C, Part III.C.6 provides guidance on “What should an agency do if it determines that a payment recapture audit program would not be cost effective?” NSF determined that it would not be cost effective to conduct recapture audits of its single grants program and other activities (contracts, charge cards, and payments to employees). NSF notified OMB and the NSF Inspector General of this decision and included supporting analysis. OMB agreed with NSF’s determination. No circumstances have changed within the program or its supporting activities requiring NSF to repeat its payment recapture cost-effectiveness analysis and resubmit to OMB.

NSF has leveraged the results of the work performed under IPERA, audits, grant monitoring programs, and internal control reviews. All consistently demonstrated that there is not a significant risk of unallowable costs/improper payments within NSF’s single grant program and other mission support activities. In FY 2019, NSF reviewed current year results from the similar data sources as used in its previous analysis in order to determine that there were no significant changes that might make a payment recapture audit cost-effective. NSF will also review these sources under its upcoming FY 2021 risk assessment for its grant and mission support activities.

Question 5: Financial and Administrative Controls (PIIA Section: 3357(d))

Please describe your agency's progress:

- Implementing the financial and administrative controls established by OMB in OMB Circular A-123 to identify and assess fraud risks and design and implement control activities in order to prevent, detect, and respond to fraud, including improper payments; the fraud risk principle in the Standards for Internal Control in the Federal Government published by the Government Accountability Office (commonly known as the "Green Book"); and Office of Management and Budget Circular A-123, with respect to the leading practices for managing fraud risk;
- Identifying risk and vulnerabilities to fraud, and
- Establishing strategies, procedures, and other steps to curb fraud.

ANSWER:

| Implementation of OMB Circular A-123 | Implementation of GAO Green Book | Identifying Risk and Vulnerabilities | Establishing Strategies, Procedures and Other steps |
|--------------------------------------|----------------------------------|--------------------------------------|---|
| 3 – Fully Operational | 3 – Fully Operational | 3 – Fully Operational | 3 – Fully Operational |

Question 5 Free Text: Financial and Administrative Controls (PIIA Section: 3357(d))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: For FY 2020, NSF’s approach to OMB Circular A-123 and the GAO Green Book included activities across the dimensions of Enterprise Risk Management (ERM), internal control, and data science in support of the agency’s statement of assurance. Through its Data Analytics & Assurance Program (DAAP), NSF is balancing coverage of enterprise-level and internal control risks with the opportunity to use high-value analytics and innovative technology to continually improve the effectiveness of risk monitoring. DAAP includes activities to support the Fraud Reduction and Data Analytics Act (FRDAA)

of 2015, P.L. 114-186, which requires agencies to improve federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

NSF incorporated fraud risk strategies and procedures into its analytics and control activities to proactively mitigate and monitor potential fraud scenarios. Areas where NSF implemented a fraud risk-based approach include the following:

In FY 2021, NSF will continue to identify and monitor fraud risks, as well as key data and information that can be leveraged to improve controls and monitoring activities. As the agency's data analytics program continues to mature, NSF will look for additional opportunities to introduce advanced tools and techniques to support fraud risk identification and monitoring.

Question 6 Free Text: Statutory Thresholds and Risk Assessments (PIIA Section: 3352(a) (3) (C))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: There are no programs not listed in this collection which NSF recently assessed to determine susceptibility of improper payments. In addition to NSF's Research and Education Grant program listed in this collection, NSF has three activities - contracts, payments to employees, and charge cards (including travel and purchase cards) - that require a risk assessment in accordance with OMB Memorandum M-18-20. NSF will conduct a risk assessment for its program and mission support activities in FY 2021.

Research and Education Grants

Question 1 Free Text: Annual Performance Appraisal Criteria (PIIA Section: 3352(d) (5) (A) and (B))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 1 is not applicable to NSF, as our agency has no program or activity with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 7 Free Text: Improper Payment Rate Reduction (PIIA Section: 3352(d) (2))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 7 is not applicable to NSF, as our agency has no program or activity as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 8 Free Text: Tolerable Rate

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 8 is not applicable to NSF, as our agency has no program or activity as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 9 Free Text: Internal Controls, Human Capital, Information Systems and other Infrastructure and Program Needs (PIIA Section: 3352(d) (2) (A) through (C)3352(d) (3))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 9 is not applicable to NSF, as our agency has no program or activity as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 10 Free Text: Corrective Actions Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 10 is not applicable to NSF, as our agency has no program or activity as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 11 Free Text: Corrective Actions to be Taken (PIIA Section: 3352(d) (1))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Question 11 is not applicable to NSF, as our agency has no program or activity as determined under OMB Circular A-123, Appendix C, Part I.D with IPs exceeding the statutory thresholds listed in OMB Circular A-123, Appendix C, Part I.B.

Question 12 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: NSF is compliant with all applicable criteria as of its last Inspector General Compliance reviews. On April 9, 2020, NSF's OIG issued a letter to management noting that "the National Science Foundation (NSF) met the IPERA requirements for FY 2019", which covers all applicable criteria in Question 12 for that fiscal year. Previously, in FY 2019, NSF's Office of Inspector General (OIG) conducted a performance audit of NSF's Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance. The objectives of the audit were to determine if 1) NSF complied with the requirements of IPERA, and accurately and completely reported improper payments in its FY 2018 Agency Financial Report (AFR) and accompanying materials, and 2) NSF's FY 2018 risk assessment addressed all of the risk areas identified in OMB Memorandum M-18-20, provided a systematic method of reviewing all programs, and identified programs susceptible to significant improper payments. NSF met all applicable criteria outlined in Question 12 in FY 2018, and the results of this review can be found in Report No. OIG 19-2-005, Performance Audit over the Improper Payments Elimination and Recovery Act, issued May 10, 2019.

Question 13 Free Text: Inspector General Compliance (PIIA Section: 3352(f) (2) (A) and (B); 3353(b) (1) (A); 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Based on our response to Question 12, this question is not applicable to NSF, as our program was determined to be fully compliant in the last Inspector General review.

Question 14 Free Text: Bringing the program into compliance (PIIA Section: 3353(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Based on our response to Question 12, this question is not applicable to NSF, as our program was determined to be fully compliant in the last Inspector General review.

Question 15 Free Text: Creating accountability to achieve compliance (PIIA Section: 3353(b) (1) (B))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: Based on our response to Question 12, this question is not applicable to NSF, as our program was determined to be fully compliant in the last Inspector General review.

Question 16: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Please indicate whether the program uses the DNP (yes/no) and whether the Do Not Pay Initiative has reduced/prevented improper payments (yes/no). Additionally, please provide the frequency of corrections (week/month range) or identification of incorrect information (range of false hits?).

ANSWER:

| Does the program use the Do Not Pay Initiative (DNP) (yes/no) | Has the DNP reduced/prevented improper payments (yes/no) | How frequently are corrections made? | How frequently is incorrect information identified? |
|---|--|--------------------------------------|---|
| YES | YES | Annually | Annually |

Question 16 Free Text: Do Not Pay Initiative (PIIA Section: 3354(b) (5))

Based on your selection(s) above, provide additional information below. Please note there is a 3000 character limit.

ANSWER: NSF actively participates in the Do Not Pay (DNP) initiative to reduce improper payments through the implementation of pre-award and post-payment activities. During the pre-award review process for all grants and cooperative agreements, the agency has incorporated DNP safeguards that complement NSF's existing policies and procedures for award management. NSF also has automated the reviews and centralized the pre-award verification. This has created efficiencies by reducing the workload for manual verification. NSF uses the Department of Treasury (Treasury) to disburse all funds.

NSF payments are compliant with Treasury's Payment Application Modernization format and are screened against the following data sources: Social Security Death Master File (DMF) [public information] and the GSA System for Award Management (SAM) Exclusion Records [restricted information]. Any subsequent matches are viewable in Treasury's DNP online portal for adjudication purposes.

NSF requested an adjudication report from Treasury for the period of October 2019 through August 2020, the DNP identified no improper payments. In this period, 46,234 payments totaling \$6.3 billion were screened through the Treasury DNP process. NSF had no positive matches for DMF or SAM

For clarification purposes, since no positive matches or incorrect information was identified in the reporting period under DNP, NSF selected the answer "Annually" for both "How frequently are corrections made?" and "How frequently is incorrect information identified?" since "Not Applicable" was not a menu option.