

Audit of the National Science Foundation's Fiscal Years 2018 and 2017 Financial Statements

REPORT PREPARED BY KEARNEY & COMPANY

NATIONAL SCIENCE FOUNDATION
OFFICE OF INSPECTOR GENERAL

November 14, 2018
OIG 19-2-001





AT A GLANCE

Audit of the National Science Foundation's Fiscal Years 2018 and 2017 Financial Statements

Report No. OIG 19-2-001

November 14, 2018

AUDIT OBJECTIVE

The *Chief Financial Officer's Act of 1990*, as amended, requires that NSF's Inspector General or an independent external auditor, as determined by the Inspector General, audit NSF's financial statements. Under a contract we monitored, Kearney and Company (Kearney), an independent public accounting firm, performed the audit of NSF's FY 2018 financial statements. Kearney is responsible for the attached auditor's reports dated November 14, 2018, and the conclusions expressed therein. We do not express an opinion on NSF's financial statements or on the conclusions expressed in Kearney's reports on internal controls over financial reporting and on compliance with laws, regulations, contracts, and grant agreements.

AUDIT RESULTS

Kearney's *Independent Auditor's Report* includes an unmodified opinion on NSF's financial statements as of and for the years ended September 30, 2018 and 2017. Per its *Report on Internal Control over Financial Reporting*, Kearney identified no material weaknesses. Per its *Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements*, Kearney identified no instances in which NSF's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996*. Also, Kearney identified no reportable instances of noncompliance or other matters.

See https://www.nsf.gov/pubs/2019/nsf19002/pdf/07Chap2_Financials.pdf for the Financial Section of NSF's 2018 Agency Financial Report (AFR), which includes the audit reports. The complete AFR can be found at https://www.nsf.gov/publications/pub_summ.jsp?ods_key=nsf19002.

RECOMMENDATIONS

Kearney made no recommendations in its reports.

AUDITEE RESPONSE

NSF's response to Kearney's draft reports is attached to the report as Attachment I.

FOR FURTHER INFORMATION, CONTACT US AT (703) 292-7100 OR OIG@NSF.GOV.



NATIONAL SCIENCE FOUNDATION OFFICE OF INSPECTOR GENERAL

MEMORANDUM

TO: Dr. France A. Córdova
Director
National Science Foundation

Dr. Diane Souvaine
Chair
National Science Board

FROM: Allison C. Lerner *Allison C. Lerner*
Inspector General

DATE: November 14, 2018

SUBJECT: Audit of the National Science Foundation's
Fiscal Years 2018 and 2017 Financial Statements

This memorandum transmits Kearney & Company's reports on its financial statement audit of the National Science Foundation (NSF) for FY 2018, which includes FY 2017 comparative information.

Audit Reports on Financial Statements; Internal Control over Financial Reporting; and Compliance with Laws, Regulations, Contracts, and Grant Agreements

The *Chief Financial Officer's (CFO) Act of 1990*,¹ as amended, requires that NSF's Inspector General or an independent external auditor, as determined by the Inspector General, audit NSF's financial statements in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Kearney & Company (Kearney) to audit NSF's financial statements as of September 30, 2018, and for the fiscal year then ended. The contract requires that the audit be performed in accordance with GAS, the Office of Management and Budget Bulletin 19-01, *Audit Requirements for Federal Financial Statements*, and the GAO/CIGIE *Financial Audit Manual*.

For Fiscal Year 2018 Kearney provided: (1) its opinion on the financial statements, (2) a report on internal control over financial reporting, and (3) a report on compliance with laws, regulations, contracts, and grant agreements. In its audit of NSF, Kearney:

- Found that the financial statements present fairly, in all material respects, the financial position of NSF as of September 30, 2018 and 2017, as well as NSF's net cost of operations, changes in

¹ Pub. L. No. 101-576



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net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

- Identified no material weaknesses in internal control over financial reporting.²
- Identified no instances in which NSF's financial management systems did not substantially comply with the *Federal Financial Management Improvement Act of 1996* (FFMIA).³
- Identified no reportable instances of noncompliance with provisions of laws tested or other matters.

NSF's response to the draft reports, dated November 9, 2018, follows Kearney's reports.

Kearney is responsible for the attached auditor's reports dated November 14, 2018, and the conclusions expressed therein. We do not express opinions on NSF's financial statements or internal control over financial reporting, or on whether NSF's financial management systems substantially complied with the three requirements of FFMIA, or conclusions on compliance and other matters.

Kearney's Independent Auditor's Report is meant only to be distributed and read as part of the Agency Financial Report (AFR). Also, Kearney's Independent Auditor's Report is not a stand-alone document because it refers to the AFR contents and should not be circulated to anyone other than those receiving this transmittal.

We appreciate the courtesies and cooperation NSF extended to Kearney and OIG staff during the audit. If you or your staff have any questions, please contact me or Mark Bell, Assistant Inspector General for Audits, at 703.292.7100.

Attachments

² A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

³ Pub. L. No. 104-208



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