



The Cost Analysis and Audit Resolution Branch (CAAR) supports the stewardship of NSF's portfolio of awards through financial and regulatory compliance oversight and capability building. Through these two areas of performance, CAAR conducts monitoring activities to verify awardee compliance with financial and administrative requirements and provide business assistance when areas of potential noncompliance are identified.

CAAR conducts several key oversight activities:

- Advanced Monitoring Site Visits
- Advanced Monitoring Desk Reviews
- Audit Resolutions
- Indirect Cost Rate Proposal Reviews
- Pre-award FL99 Reviews
- Final Adjustments to Closed Awards Review

The purpose of this information sheet is to clarify common terms in CAAR's monitoring activities. For further information, refer to the links and resources on the next page.

Federal Standards — 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is a comprehensive policy guide which supersedes previous circulars (e.g. A-122, 2 CFR 215, 2 CFR 220, 2 CFR 230) for those awards and award amendments issued to institutions of higher education, nonprofit organizations, or state, local and tribal governments, effective on or after December 26, 2014. For-profit institutions should consult the Federal Acquisition Regulation, Part 31, for the applicable cost principles and their cognizant federal agency for audit requirements.

Direct Cost — A cost that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Typical costs charged directly to a federal award are the compensation of employees who work on that award, their related fringe benefit costs, or the costs of other items of expense incurred for the federal award.

Indirect Cost — A cost required for the operation of an organization, but not identified specifically with a particular final cost objective or other internally or externally funded activity, or that cannot be easily assigned to such activities with relative ease and with a high degree of

accuracy. Also referred to as facilities and administration (F&A) costs, these are overhead costs necessary for the awardee's general operation (e.g., administrative salaries, utilities).

Unallowable Direct Costs — Direct costs that are unallowable under applicable federal cost principles. Unallowable direct costs are outlined in 2 CFR 200 and include items such as alcoholic beverages or personal computers where primary usage will not be for award-related purposes. These costs, in addition to any other items prohibited in the grant letter, are unallowable under an NSF grant.

Unallowable Indirect Costs — Indirect costs that are unallowable under applicable federal cost principles. Unallowable indirect costs are outlined in 2 CFR 200 and include such items as bad debts, lobbying, and fundraising. These costs, in addition to any items outlined in the grant letter, are unallowable under an NSF grant.

Participant Support Costs — Direct costs for items such as stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of *non-employee* participants or trainees in connection with meetings, conferences, symposia, or training projects. Awardee organizations must account for participant support costs separately in their accounting system

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either through specific account codes or cost centers. NSF policies stipulate that participant support costs cannot be used for other expense categories without prior authorization from the NSF Program Officer.

Budget Revision — Also referred to as a budget amendment, budget transfer, or budget modification, a budget revision is a reallocation of funds in the approved budget. Some budget revisions require prior approval by the sponsor agency; refer to the grant letter, 2 CFR 200, and agency-specific conditions for guidance.

Cost Transfer — A reallocation of a previously incurred cost onto, off of, or between sponsored projects. Potential reasons to initiate a cost transfer include reassigning an unallowable cost from a restricted account to an unrestricted account, or correcting a keying error. Cost transfers should take place promptly, usually within 90-180 calendar days following the original transaction date.

Direct Employee — An employee assigned to a function that can relatively easily and with a high degree of accuracy be identified with a particular final cost objective. Examples include researchers and principal investigators working on sponsored projects.

Indirect Employee — An employee assigned to a supporting, overhead function within an organization that cannot relatively easily and with a high degree of accuracy be identified with a particular final cost

objective. Examples include administrative salaries such as accounting or human resources personnel.

Program Income — Gross income earned by the non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, and license fees and royalties on patents and copyrights. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, or interest earned on any of these activities.

Shadow Systems — Business support systems utilized in the regular operation of an organization which are not monitored by the core accounting office or incorporated into the primary accounting system. Shadow system (e.g., Excel spreadsheets, separate accounting systems) outputs do not constitute sufficient supporting documentation for financial purposes, thus final financial information should be incorporated into the primary accounting system.

Supporting Documentation — Documentation of accounting transactions, such as check requests, cost transfers, payroll, purchases, and travel

reimbursements. Documentation should support the reasonableness of the expense and decision process used for the expense. Examples of supporting documentation include original receipts for travel reimbursement, signed personnel compensation records for payroll, and bids for equipment.

Written Policy — Documentation of a process providing sufficient guidance for new personnel to consistently perform a task according to the organization's standards.

Audit Resolution Process — NSF management function beginning when an audit report is formally issued to NSF. It includes assessment and discussion of all audit findings and recommendations between the awardee and NSF audit resolution staff until such time as agreement on requisite corrective action is reached with the awardee or a unilateral decision is made by NSF.

Corrective Action Plan — A written proposal to correct identified deficiencies; produce recommended improvements; or demonstrate that audit findings are either invalid or do not warrant action. Corrective action plans should demonstrate awareness of the issue, identify the individual responsible for the proposed action, and provide expected dates for correction of identified deficiencies.

Federal Audit Clearinghouse — Operates on behalf of the Office of Management and

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Budget. Its primary purposes are to: (a) distribute single audit reporting packages to federal agencies, (b) support OMB oversight and assessment of federal award audit requirements, (c) maintain a public database of completed audits, and (d) help auditors and auditees minimize the reporting burden of complying with federal audit requirements.

Acronyms

In the course of CAAR's monitoring activities, a number of acronyms are used regularly. For a list of some of the most common acronyms used during site visits, desk reviews, audit resolution, indirect cost rate proposal reviews, pre-award FL-99 reviews, and final adjustment to closed award reviews, please see the following:

NSF Organizational Acronyms

BFA — Office of Budget, Finance, and Award Management

CAAR — Cost Analysis and Audit Resolution Branch

DACS — Division of Acquisition and Cooperative Support

DFM — Division of Financial Management

DGA — Division of Grants and Agreements

DIAS — Division of Institution and Award Support

OIG — Office of the Inspector General

Helpful Links and Resources

National Science Foundation

www.nsf.gov

Division of Institution and Award Support

www.nsf.gov/bfa/dias

Cost Analysis and Audit Resolution Branch

<http://nsf.gov/bfa/dias/caar/>

General Federal Requirements

www.nsf.gov/bfa/dia/caar/fed.jsp

NSF Proposal & Award Policies and Procedures Guide

www.nsf.gov/publications/pub_sum.jsp?ods_key=papp

Prospective New Awardee Guide

www.nsf.gov/publications/pub_sum.jsp?ods_key_pnag

Grant-Related Acronyms

AAG — Award and Administration Guide

ACM\$ — Award Cash Management Service

AOR — Authorized Organizational Representative

CAP — Corrective Action Plan

ARRA — American Recovery and Reinvestment Act of 2009

CFR — Code of Federal Regulations

FFR — Federal Financial Report (replaced by ACM\$)

MTDC — Modified Total Direct Costs

OMB — Office of Management and Budget

PAPPG — Proposal & Award Policies and Procedures Guide