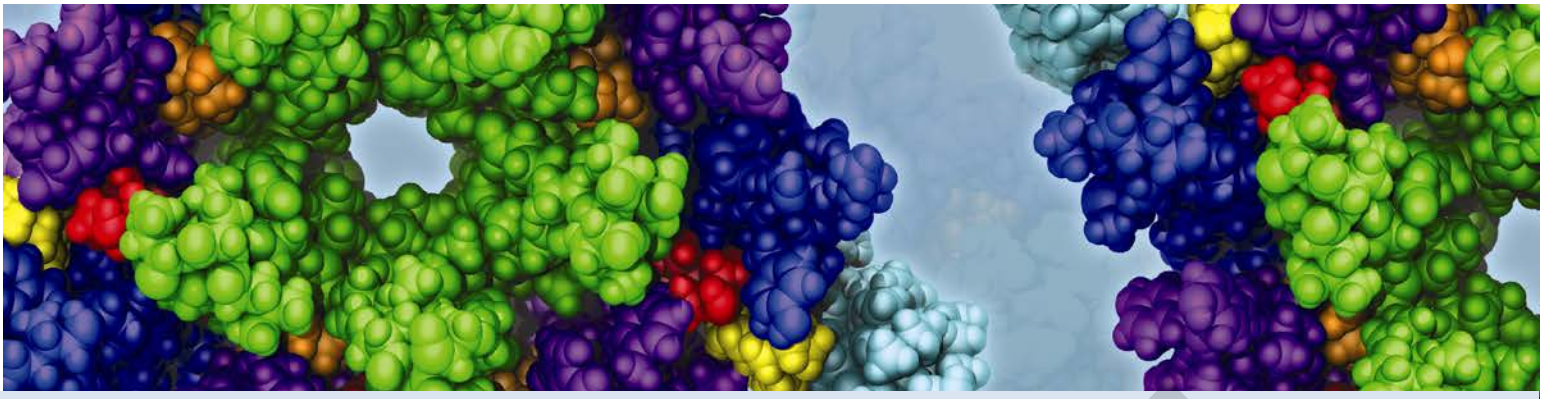
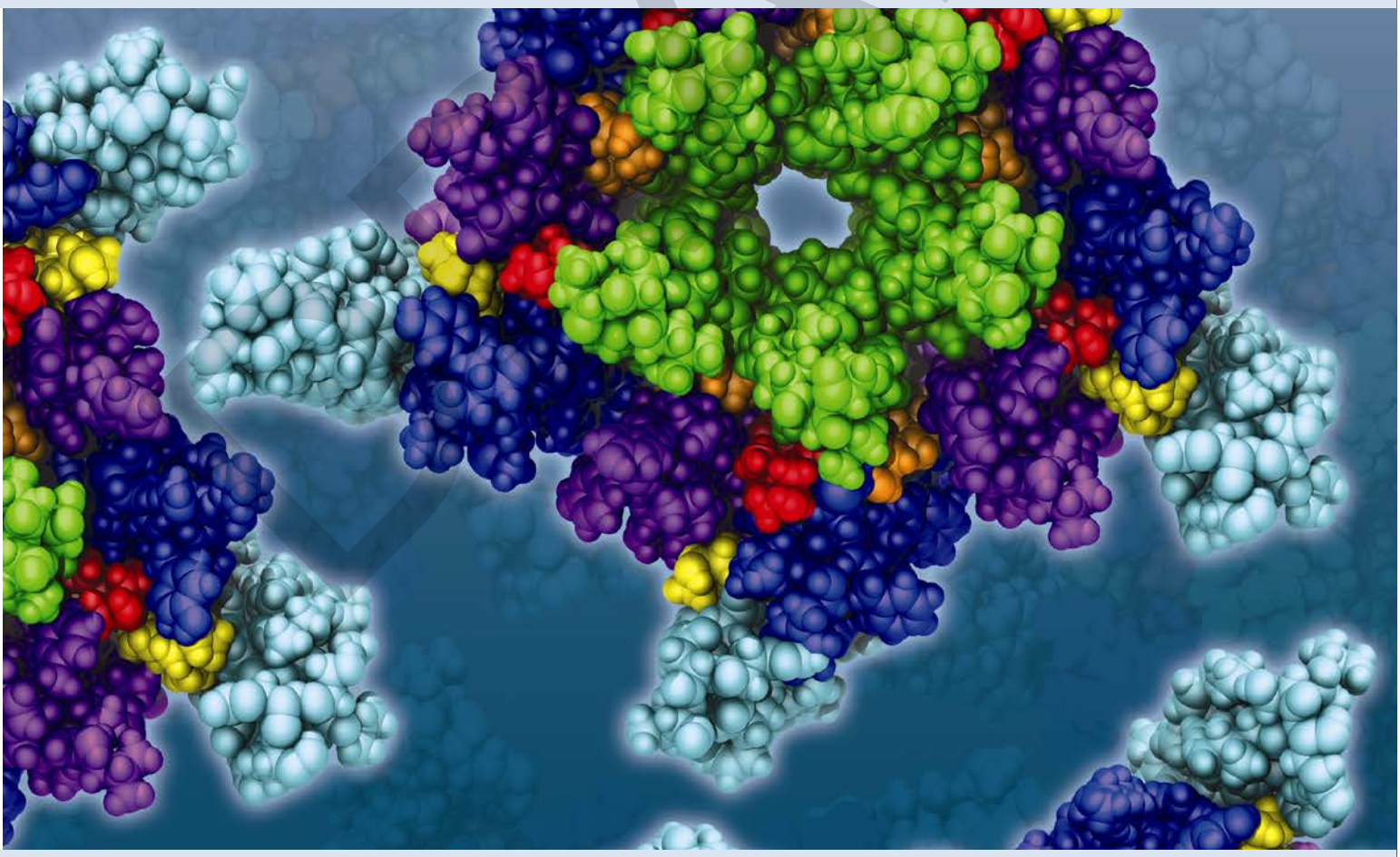


THE NATIONAL SCIENCE FOUNDATION

PROSPECTIVE NEW AWARDEE GUIDE

DRAFT



NSF XX-XX
(Replaces 11-62)

March 2013

About the National Science Foundation

The National Science Foundation (NSF) is an independent Federal agency created by the National Science Foundation Act of 1950, as amended (42 USC 1861-75). The Act states the purpose of the NSF is "to promote the progress of science; [and] to advance the national health, prosperity, and welfare by supporting research and education in all fields of science and engineering."

NSF funds research and education in most fields of science and engineering. It does this through grants and cooperative agreements to more than 2,000 colleges, universities, K-12 school systems, businesses, informal science organizations and other research organizations throughout the U.S. The Foundation accounts for about one-fourth of Federal support to academic institutions for basic research.

NSF receives approximately 50,000 proposals[1] each year for research, education and training projects, of which approximately 11,000 are funded. In addition, the Foundation receives several thousand applications for graduate and postdoctoral fellowships. The agency operates no laboratories itself but does support National Research Centers, user facilities, certain oceanographic vessels and Antarctic research stations. The Foundation also supports cooperative research between universities and industry, U.S. participation in international scientific and engineering efforts, and educational activities at every academic level.

NSF welcomes proposals from all qualified scientists, engineers and educators. The Foundation strongly encourages women, minorities, and persons with disabilities to participate fully in its programs. In accordance with Federal statutes, regulations, and NSF policies, no person on grounds of race, color, age, sex, national origin, or disability shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving financial assistance from NSF, although some programs may have special requirements that limit eligibility.

Grantees are wholly responsible for conducting their project activities and preparing the results for publication. Thus, the Foundation does not assume responsibility for such findings or their interpretation.

NSF has Telephonic Device for the Deaf (TDD) and Federal Information Relay Service (FIRS) capabilities that enable individuals with hearing impairments to communicate with the Foundation about NSF programs, employment, or general information. TDD may be accessed at (703) 292-5090 and (800) 281-8749, FIRS at (800) 877-8339. The NSF Information Center may be reached at (703) 292-5111.

Privacy Act and Public Burden Statements

The information requested on proposal forms and project reports is solicited under the authority of the National Science Foundation Act of 1950, as amended. The information on proposal forms will be used in connection with the selection of qualified proposals; project reports submitted by awardees will be used for program evaluation and reporting within the Executive Branch and to Congress. The information requested may be disclosed to qualified reviewers and staff assistants as part of the review process; to applicant institutions/grantees to provide or obtain data regarding the proposal review process, award decisions, or the administration of awards; to government contractors, experts, volunteers and researchers and educators as necessary to complete assigned work; to other government agencies needing information as part of the review process or in order to coordinate programs; and to another Federal agency, court or party in a court or Federal administrative proceeding if the government is a party. Information about Principal Investigators may be added to the Reviewer file and used to select potential candidates to serve as peer reviewers or advisory committee members. See Systems of Records, NSF- 50, "Principal Investigator/Proposal File and Associated Records," 63 Federal Register 267 (January 5, 1998), and NSF-51, "Reviewer/Proposal File and Associated Records," 63 Federal Register 268 (January 5, 1998). Submission of the information is voluntary. Failure to provide full and complete information, however, may reduce the possibility of receiving an award.

Public reporting burden for this collection of information is estimated to average 120 hours per response, including the time for reviewing instructions. Send comments regarding this burden estimate and any other aspect of this collection of information, including suggestions for reducing this burden, to: Suzanne H. Plimpton, Reports Clearance Officer; Division of Administrative Services; National Science Foundation; Arlington, VA 22230.

[1] For the purposes of this Guide, the term "proposal" is interchangeable with the term "application."

DRAFT

PROSPECTIVE NEW AWARDEE GUIDE

Table of Contents

Section A: Overview and Basic Information **2**

1. Overview 2
2. Federal Requirements 2
3. NSF Points of Contact and Frequently Asked Questions 3

Section B: Grantee Standards **5**

1. Financial Viability 5
2. Financial Management and Accounting System Requirements 5
3. Time and Effort Reporting Requirements 6
4. Allowable Costs 6
5. Subaward and Subrecipient Monitoring 7
6. Cost Sharing Requirements 7
7. Audits on Federal Awards 8

Section C: Indirect Costs **9**

1. Overview 9
2. Support of Indirect Cost Rate 9
   - Organizations with a Negotiated Indirect Cost Rate Agreement (NICRA): 9
   - Organizations without a Negotiated Indirect Cost Rate Agreement: 9
3. Types of Indirect Cost Rates Used on NSF Awards 10
   - Maximum Provisional Indirect Cost Rate 10
   - Predetermined Rate 10
   - Fixed Rate 10
   - Fixed Dollar Amount 10

SECTION D: NEW AWARDEE DOCUMENTS **11**

Appendix 1: Awardee Organization and Management Summary

Appendix 2: Small Business Declaration

Appendix 3: Financial Management Systems Questionnaire (FMSQ)

DRAFT

Section A: Overview and Basic Information

1. Overview

Each proposing organization that is new to the National Science Foundation (NSF) or has not had an active NSF assistance award within the previous five years should be prepared to submit basic organization and management information and certifications, when requested, to the applicable award-making division within the Office of Budget, Finance and Award Management (BFA). The information contained in the *NSF Prospective New Awardee Guide* will assist your organization in preparing the documents which NSF requires to conduct administrative and financial reviews. This Guide also serves as a means of highlighting the accountability requirements associated with federal awards.

You should read this Guide in its entirety since it contains helpful information for preparing documents requested and for understanding the requirements of managing a federal award. Please note that it your responsibility as a prospective awardee[2] to ensure that the documents submitted are a fair and accurate representation of the administrative and/or financial position of your organization. NSF will assess the organization's administrative and financial capabilities based upon the documentation provided. Missing, incomplete or inadequate information may result in proposal declination.

2. Federal Requirements

In addition to complying with all NSF regulations, recipients of NSF awards are required to comply with all applicable federal requirements set forth in the Cost Principles, the Uniform Administrative Requirements, and the Federal Audit Requirements. Please familiarize yourself with the information contained within these documents *as soon as possible.* Links to these federal regulations may be found on the NSF website at http://www.nsf.gov/bfa/dias/caar/fed.jsp.

The following tables will assist you to determine which requirements are applicable to your type of organization:

Cost Principles
The cost principles primarily dictate which types of expenditures may be considered allocable, allowable, necessary and reasonable uses of federal funds:

Type of Organization	Applicable Federal Regulation
Educational Institution	2 CFR 220 (OMB Circular A-21)
State, Local and Indian Tribal Governments	2 CFR 225 (OMB Circular A-87)
Non-Profit Organization	2 CFR 230 (OMB Circular A-122)
For-Profit Organization	Federal Acquisition Regulations (FAR), Part 31.2

[2] For the purposes of this Guide, the term "awardee" is interchangeable with the term "grantee."

Uniform Administrative Requirements
These regulations prescribe three sets of standards for recipients of federal grants, each governing a different area: financial management systems, procurement policies and procedures, and property management. Please note that Chapter III of the NSF *Award and Administration Guide* (AAG) implements the standards prescribed in 2 CFR 215 (OMB Circular A-110) to all types of recipients of NSF grants, including for-profit commercial organizations and small businesses:

Type of Organization	Applicable Federal Regulation
State, Local and Indian Tribal Governments	45 CFR 602 (OMB Circular A-102)
Institutions of Higher Education, Hospitals, and Non-Profit Organizations	2 CFR 215 (OMB Circular A-110)
For-Profit Organization	2 CFR 215 (OMB Circular A-110)

Audit Requirements
It is the responsibility of the awardee to arrange for the conduct of annual audits, as required by the following regulations:

Type of Organization	Applicable Federal Regulation
Educational Institution	OMB Circular A-133
State, Local and Indian Tribal Governments	OMB Circular A-133
Non-Profit Organization	OMB Circular A-133
For-Profit Organization	Cognizant federal agency responsible

In addition, both §__.105 of OMB Circular A-133 and the A-133 Compliance Supplement provide guidance regarding the necessary characteristics of organizational internal controls that, when present and operating effectively, may help to ensure compliance with program requirements.

3. NSF Points of Contact and Frequently Asked Questions

Many of the questions frequently asked by prospective new awardees are addressed in this document; therefore we recommend that you read this Guide in its entirety. The following NSF Divisions assist in the awarding process to new NSF awardees, and individual program websites may provide additional information that you may find helpful. If you still need additional assistance, please contact the applicable award-making division noted below.

Division of Grants and Agreements (DGA)
Phone: (703) 292-8210 **Website:** http://www.nsf.gov/bfa/dga/index.jsp

The Division of Grants and Agreements (DGA) provides stewardship of the federal funding awarded by NSF and is responsible for business, financial, and administrative assistance across the continuum of awards from pre-award through closeout. DGA is responsible for the business, financial and administrative review of all recommended grants, most cooperative agreements[3] and other assistance awards and assuring that they are consistent with applicable policies, regulations, directives and fund certifications. Only a NSF Grants and

[3] The Division of Acquisition and Cooperative Support (DACS) is responsible for negotiation, award and administration of cooperative agreements for FFRDCs, major research facilities, and various science, technology, engineering and education center programs.

DRAFT

Agreements Officer has the delegated authority to approve grants, cooperative agreements, or other assistance awards that will obligate NSF funds for expenditure by the awardee for proposed project activities.

Division of Acquisition and Cooperative Support (DACS)
Phone: (703) 292-8242 **Website:** http://www.nsf.gov/bfa/dcca/index.jsp

The Division of Acquisition and Cooperative Support (DACS) provides acquisition and cooperative agreement award support for the Foundation. The Contracts Branch is responsible for planning, solicitation, negotiation, award and administration of research and research support contracts for NSF. The Cooperative Support Branch (CSB) is responsible for planning, solicitation, negotiation, award and administration of cooperative agreements for FFRDCs, major research facilities, and various science, technology, engineering and education center programs. CSB provides cooperative agreement management and oversight for supported multi-institutional and international programs. This includes key participation and input on NSF project advisory teams, business process reviews and redesign, risk assessments, financial and administrative assistance to all stakeholders and on-site support for large research facilities and FFRDCs.

Division of Institution and Award Support (DIAS) - Cost Analysis and Audit Resolution Branch (CAAR)
Phone: (703) 292-8244 **Website:** http://www.nsf.gov/bfa/dias/caar/index.jsp

DIAS staff in the Cost Analysis and Audit Resolution (CAAR) Branch perform cost analyses and resolve audit findings pertaining to the allowability, allocability, and appropriateness of costs claimed under all NSF awards, including grants and cooperative agreements. CAAR responsibilities include the performance of accounting system reviews, budget reviews, and award monitoring and business assistance. CAAR also negotiates indirect cost rates for organizations that have numerous Federal awards where NSF provides the preponderance of funding.

Division of Financial Management (DFM) – Cash Management Branch
Website: http://www.nsf.gov/bfa/dfm/cmeab.jsp (please contact the Accountant assigned to your state)

The Division of Financial Management (DFM) is responsible for the financial policy and financial management of NSF. The division is responsible for NSF's financial reporting, grantee business office relationships and payment of vendors. The Cash Management Branch of DFM is available to assist grantee financial and business officials in matter of payment and financial reporting.

Please see AAG Chapter III for additional information regarding financial requirements and payments.

Large Facilities Office (LFO)
Website: http://www.nsf.gov/bfa/lfo/index.jsp

The NSF's Deputy Director for Large Facility Projects (DDLFP) and supporting staff (the Large Facilities Office, or LFO) are the NSF's primary resource for all policy or process issues related to the development, implementation, and oversight of Major Research Equipment and Facilities Construction (MREFC) projects, and are the NSF-wide resource on project management. The DDLFP has the institutional authority and resources to effectively develop mandatory policies, which are approved by Senior Management, for all phases of large facility construction and retirement. The DDLFP is consulted on all policy issues relating to large facility development.

DRAFT

Section B: Grantee Standards

1. Financial Viability

NSF performs financial capability reviews to determine whether a prospective awardee has adequate financial resources (or the ability to obtain such resources), to perform under the terms of the award. The evaluation of the financial capability of a prospective awardee is of particular importance and will require more detailed analysis where the prospective awardee:

- Is a new entity,
- Has not had any ongoing awards with NSF within the preceding 60 months (five years), or
- Is known to be experiencing financial difficulties.

In addition to submission of financial statements, these organizations could be requested to provide:

- Latest available interim financial statement (or "year-to-date" financial statements),
- Detailed budgets for the proposed project period,
- Various documentation to support amounts reported in financial statements, and/or
- Documentation relating to existing or contemplated credit or financing arrangements.

As the scope and detail of analysis may vary with the circumstances of particular cases, the extent of financial data and its evaluation is determined by the judgment of NSF staff. Per the New Awardee Checklist (Section D), prospective awardees are generally required to submit audited financial statements for the two most recent accounting years for analysis. In the absence of audited financial statements, awardees should submit their unaudited financial statements, along with Federal tax returns for the two most recent accounting years.

2. Financial Management and Accounting System Requirements

The acceptance of an award from NSF creates a legal duty on the part of the awardee organization to use the funds or property made available in accordance with the conditions of the award. Therefore, NSF awardees are required to have financial management systems that comply with Section .21 of OMB Circular A-110 (2 CFR §215.21). Adequate financial management and accounting systems provide assurances to the Federal Government that all expenditures of federal funds are in accordance with applicable regulations, terms and conditions of the award.

At a minimum, the awardee should have a financial management and/or accounting system that provides for the following:

- Effective control over and accountability for all funds, property, and other assets;
- Written procedures for determining the reasonableness, allocability, and allowability of costs;
- Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the recipient's use of those funds for program purposes (if cash advance basis);
- Accounting records that are supported by source documentation (purchase orders, invoices, canceled checks, etc.);
- Records that identify the source and application of funds;
- Detailed budget preparation with proposed costs based on actual historical cost data;
- Identification of costs (budgeted costs vs. actual expenses) by project/grant;
- Identification of expenditures as direct, indirect, and unallowable;
- Accurate and complete financial reports, including balance sheets and income statements;
- Accurate and complete disclosure of the financial results of NSF awards; and

DRAFT

- Maintenance of adequate documentation to support cost sharing, if applicable (acceptable forms of cost sharing contributions are those which meet the criteria established in Section .23 of OMB Circular A-110/2 CFR §215.23).

Organizations being considered for a NSF award are required to support the existence of an adequate accounting system. The prospective awardee is thus asked to submit several documents to NSF for review. These documents are detailed in the New Awardee Checklist (Section D). In particular, the responses on the Financial Management Systems Questionnaire (FMSQ) (Appendix 3) assist NSF to determine the adequacy of the financial management systems currently in place at the organization.

Additional items beyond what are listed in the Checklist may also be requested. For example, an organization that has been subject to a financial management and/or accounting system audit by the Defense Contract Audit Agency (DCAA) or any another federal agency should be prepared to provide a copy of the resulting review and/or audit report to NSF for analysis.

3. Time and Effort Reporting Requirements

Organizations receiving NSF awards are required to have an adequate time and effort reporting system. Adequate time and effort systems help the organization document that: the total compensation paid to individual employees is reasonable according to the work performed on the NSF-supported project; the compensation was made in accordance with established policies of the organization; and that these compensation policies were consistently applied to both government and non-government activities. In addition, the time and effort reporting system must be able to adequately identify whether or not the work performed is considered a direct or an indirect cost, consistent with the organization's established policies and all applicable federal cost principles.

Each federal cost principle contains slightly different regulations regarding the characteristics of adequate time and effort reporting systems, so it is important that your organization refer to the correct circular for these requirements. A summary of these requirements is available at http://www.nsf.gov/bfa/dias/caar/time.jsp. Generally, adequate time and effort reporting records contain the following:

- An "after-the-fact" report of the employee's actual hours worked during the time period,
- The name and signature of the employee,
- The name and signature of the employee's supervisor,
- The hours and/or percentage of total effort the employee worked each day during the pay period (including both government and non-government activities),
- A breakdown of how the employee expended their effort during the pay period (for example, hours worked by project, hours spent on general and/or administrative activities, vacation time, sick leave, leave without pay), and
- Corrections that are generally made in ink and initialed by the employee.

Organizations being considered for a NSF award are also required to support the existence of an adequate time and effort reporting system. Please see the New Awardee Checklist (Section D) for a listing of the documents required for review.

4. Allowable Costs

All expenditures under NSF cost-reimbursable grants are governed by the federal cost principles and must conform with NSF policies, grant special provisions and grantee internal policies. Grantees should ensure that all costs claimed under NSF grants are necessary, reasonable, allocable and allowable under the applicable cost principles, NSF policy, and/or the program solicitation. The cost principles detail the types of costs that cannot be incurred by federal awards, either as direct or indirect costs. A few examples of these costs are alcoholic beverages, certain types of advertising, entertainment/amusement, bad debts, contributions and donations, fines, and penalties. Please reference the cost principles applicable to your organization (Section A) as these will provide more information regarding unallowable costs.

DRAFT

5. Subaward and Subrecipient Monitoring

The objectives of many NSF-funded projects are achieved through the issuance of subawards to other organizations. However, subaward relationships require additional monitoring on the part of the prime awardee. Please note that a distinction should be made between a subrecipient and a vendor (or a consultant). Section 210 of OMB Circular A-133 provides additional guidance on determining whether a subawardee is a vendor or a subrecipient. In general, a vendor provides goods or services in a competitive environment as its normal course of business (e.g., selling computers or providing routine laboratory support). In contrast, a subrecipient has programmatic decision-making responsibilities for performance in carrying out a portion of the research or project.

Subrecipient monitoring requirements do not apply to vendors. However, when subawards are included in Line G.5 of the Award Budget (Form 1030), the prime awardee is required to establish a system to monitor the performance and activities of the subrecipients. Prime awardees are also responsible for assuring that costs of all subawards under NSF grants are subject to the cost principles and procedures appropriate to the subaward type and organization involved. For example, if the subaward is a cost-reimbursable type to a commercial organization or small business, FAR Subpart 31.2 would apply.

In addition to establishing subrecipient monitoring policies, prime awardees are also responsible for drafting the subaward agreement that will be established between the organizations to govern the performance of the subaward. Subaward agreements are formal documents that are signed by authorized representatives from both parties, and typically include provisions for:

- Audit requirements and the prime awardee's access to records,
- The prime awardee's right to conduct technical and administrative site visits,
- The applicable federal cost principles and uniform administrative requirements,
- Termination clauses and/or legal remedies for non-performance,
- Closeout procedures (when the subaward is completed),
- Documentation procedures that serve as evidence that the prime awardee is providing the necessary oversight, and
- Statutory requirements such as conflict of interest, non-discrimination, drug-free workplace, animal rights, human subjects, and applicable grant terms and conditions.

Organizations being considered for a NSF award that contains subawards should be prepared to submit a copy of their subaward monitoring policies along with a draft copy of a subaward agreement to NSF for review.

6. Cost Sharing Requirements

Cost sharing (or matching) is that portion of allowable project or program costs that are not borne by the Federal Government. Per NSF regulations, the inclusion of voluntary committed cost sharing is prohibited (Chapter II.C.2.g(xi) of the NSF *Grant Proposal Guide* (GPG)). Mandatory cost sharing will only be required for NSF programs when explicitly authorized by the NSF Director, the National Science Board, or legislation.

In those rare instances where cost sharing is required, these requirements will be clearly identified in the solicitation and must be included in the proposal budget. When mandatory cost sharing is included on Line M of the Award Budget (Form 1030) and accepted by NSF, the commitment of funds becomes legally binding and is subject to audit. Failure to provide the level of cost sharing required by the NSF solicitation as reflected in the approved award budget may result in termination of the NSF award, disallowance of award costs and/or refund of award funds to NSF by the awardee.

Further criteria regarding the allowability of cost sharing is defined at Section .23 of OMB Circular A-110 (2 CFR §215.23), entitled, "Cost Sharing or Matching." Per this regulation, cost sharing must meet <u>all</u> of the following criteria:

- Are verifiable from the recipient's records,
- Are not included as contributions for any other federally assisted project or program,

DRAFT

- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives,
- Are allowable under the applicable cost principles (see Section A),
- Are not paid by the Federal Government under another award, except where authorized by federal statute to be used for cost sharing or matching,
- Are provided for in the approved budget, and
- Conform to other provisions of OMB Circular A-110 (2 CFR 215), as applicable.

Organizations with approved cost-sharing in their proposal budgets are required to support the existence of an adequate financial management system that can properly document these costs. The responses on the Financial Management Systems Questionnaire (FMSQ) (Appendix 3) will assist NSF to determine the adequacy of these systems. Per the organization's responses on the FMSQ and the nature of the cost sharing, additional documentation may also be requested.

7. Audits on Federal Awards

If the project is funded, it will be the responsibility of the grantee to arrange for the conduct of audits as required by OMB Circular A-133 "*Audits of States, Local Governments, and Non-Profit Organizations*" (including colleges and universities). In addition to the audits outlined in this Circular, the NSF Office of the Inspector General (OIG) conducts audits of awards made to for-profit and non-profit organizations receiving NSF funding. Audits with questioned cost findings can result in cost disallowances and require organizations to make repayments to NSF. Audit findings resulting in questioned costs which are related to "accounting" for federal funds are generally due to the following:

- Lack of time records to support salary costs charged to awards,
- Lack of consulting agreement and invoices to support that services were related to the award and that the charges were reasonable,
- Indirect cost recoveries were in excess of those allowed by the type of indirect cost rate and base reflected in the award,
- Costs were unallowable in accordance with applicable cost principles, and, therefore could not be charged to federal awards,
- Proposed participant support amounts were expended in other cost categories without the required prior NSF written approval, and/or
- Adequate supporting documentation was not provided for cost sharing claimed.

The resolution of audit findings is the responsibility of NSF management, via the Cost Analysis and Audit Resolution Branch (CAAR). Please contact CAAR at (703-292-8244) if you have any questions concerning audits and/or the supporting documentation which should be maintained. You may also find additional information regarding audit resolution at http://www.nsf.gov/bfa/dias/caar/audit.jsp.

DRAFT

Section C: Indirect Costs

1. Overview

Indirect costs are those costs that cannot be readily identified with a specific project or any other organizational activity, but rather are incurred by an organization for the joint benefit of all projects and objectives. Such costs are usually grouped into common pools and charged to the benefiting departments/awards/activities through an allocation process.

In its simplest form, the indirect rate is the ratio between an awardee's total indirect expenses and some direct cost base (often referred to as the allocation base). Common direct allocation bases are direct salaries and wages or modified total direct costs (total direct costs excluding capital expenditures and other distorting items such as major subawards and participant support costs). Other modifications may be made to the direct cost base if necessary to ensure an equitable distribution of indirect costs across programs.

In theory, all costs might be charged directly, however, practical difficulties typically preclude such an approach. Except as noted in AAG Chapters V.B.8 and VI.G.5, or in an NSF program solicitation, it is NSF policy that grantees are entitled to reimbursement from grant funds for indirect (F&A) costs allocable to the NSF share of allowable direct costs of a project. Accordingly, most organizations work with their cognizant federal agency to establish a formal indirect cost rate agreement, to be honored by all federal funding agencies. The indirect cost rate allows for a fair and expeditious allocation of the proportion of such general expenses that will be borne by each department, award, or activity.

NSF program staff may not negotiate indirect costs as a discrete item of a proposal budget, and are not authorized to suggest or request that PI/PDs seek reductions or waivers of indirect costs except as explicitly specified in applicable NSF program regulations. Lastly, foreign grantees are not eligible for indirect cost rate recovery unless the foreign grantee has a previously negotiated rate agreement with a U.S. federal agency that has a practice of negotiating rates with foreign entities.

2. Support of Indirect Cost Rate

Organizations requesting indirect costs in their proposal budgets are required to submit documentation to support the indirect rate and allocation base that has been requested. This can be accomplished in one of two ways:

Organizations with a Negotiated Indirect Cost Rate Agreement (NICRA):
Organizations that have a NICRA with a federal agency should be prepared to submit a copy of their current rate agreement as requested in the New Awardee Checklist (Section D). Except as noted in GPG Chapter II.C.2.g(v) and II.D.9 or in a NSF program solicitation, the applicable indirect cost rate(s) negotiated by the organization with the cognizant negotiating agency must be used in computing indirect costs for a proposal. The amount for indirect costs should be calculated by applying the current negotiated indirect cost rate(s) to the approved base(s).

Indirect cost recovery for colleges, universities, and other organizations of higher education are additionally restricted by OMB Circular A-21 (2 CFR 220). Appendix A, Section G(7)(a) of this Circular stipulates that federal agencies are required to use the negotiated F&A rates that are in effect at the time of the initial award throughout the life of the sponsored agreement. Additional information on the charging of indirect costs to an NSF award is available in AAG Chapter V.D.

Organizations without a Negotiated Indirect Cost Rate Agreement:
For organizations that do not have a current negotiated rate agreement with a cognizant federal agency, its business officer should prepare an indirect cost proposal based on expenditures for its most recently ended fiscal year. This proposal will be submitted to NSF as requested in the New Awardee Checklist (Section D). The contents and financial data included in indirect cost proposals vary according to the make-up of the organization. Instructions for preparing an indirect cost rate proposal can be found at: http://www.nsf.gov/bfa/dias/caar/docs/idcsubmissions.pdf. Organizations submitting a proposal to NSF for the first time are encouraged to request guidance from the Cost Analysis and Audit Resolution Branch (CAAR) at (703)

DRAFT

292-8244. Based on the information provided, NSF may negotiate a formal indirect cost rate agreement with the awardee, or may instead award indirect costs on an award-specific basis.

3. Types of Indirect Cost Rates Used on NSF Awards

The awarded indirect cost rate is generally based upon a grantee's current federally negotiated indirect cost rate agreement. When establishing an indirect rate for an award where the grantee does not have a current negotiated rate agreement, NSF will consider the rate proposed in the budget, the grantee's indirect cost proposal submission, the amount of total funding requested and other pertinent financial factors. Since some types of rates limit indirect cost recoveries and require adjustments, grantees receiving awards should ensure that they understand the type of indirect cost rate applicable to the award. Types of indirect cost rates used on NSF awards are as follows:

Maximum Provisional Indirect Cost Rate
A maximum provisional rate is a temporary rate established for an award to permit funding and reporting of indirect costs pending establishment of a final rate (the rate determined at the end of an accounting period using "actual" direct and indirect cost data). This type of rate limits indirect cost recoveries to the ***lower*** of the maximum provisional rate established at the time of award, or the final rate established at the end of the accounting period. Grantees awarded maximum provisional rates are required to submit indirect cost proposals to CAAR within six months after the close of each fiscal year in which the award is active.

Predetermined Rate
A predetermined rate is a permanent funding rate established for an award based on an estimate of costs for that period. Grantees may charge NSF projects at the rate(s) stipulated in the award. However, should negotiations between the organization and the cognizant agency result in changes in the approved indirect cost rate not reflected in the NSF award, the grantee may charge NSF projects at the newly negotiated rate in effect at the time direct cost expenditures were made, provided that this method of charging indirect costs is consistently applied and meets generally accepted accounting principles; and provided further that to do so would not:

- reduce or adversely affect the project;
- result in increased cost over the NSF award amount during the project period;
- decrease the period of support as contemplated in the award; or
- be inconsistent with any special indirect cost provision of the award.

Special Limitation concerning Predetermined Rates at Colleges and Universities:
Per OMB Circular A-21 (2 CFR 220), colleges and universities are subject to a further limitation that the negotiated rate at the time of the award shall be used throughout the life of the award, and is not subject to adjustment. See Appendix A(G)(7)(a), "Fixed Rates for the Life of the Sponsored Agreement" for further details.

Fixed Rate
A fixed rate is a permanent rate established for an award based on an estimate of costs for the award period. However, a fixed rate is fixed for funding and reimbursement. When NSF funds an award using a fixed indirect cost rate, the grantee may recover indirect costs from grant funds at no more than the fixed rate established for the award. A fixed rate is not subject to adjustment.

Fixed Dollar Amount
A fixed dollar amount limits grantees to the "amount" of indirect costs specified in the approved budget. A fixed dollar amount is not subject to adjustment.

DRAFT

Section D: New Awardee Documents

The following documents must be submitted to NSF for the administrative and/or financial review of your organization. Unless otherwise specified, all documents are REQUIRED. It is the responsibility of the new awardee to ensure that all documents are submitted, and that they represent a fair and accurate representation of the administrative and/or financial position of the organization. NSF will assess the organization's administrative and financial capabilities based upon the documentation provided. Missing, incomplete or inadequate information may result in proposal declination.

____ **1) Awardee Organization and Management Summary, Form 357** (see Appendix 1)
Complete Part 1 only.

____ **2) Small Business Declaration, Form 359** (see Appendix 2)
If you are a for-profit organization or small business, provide a copy of the Small Business Declaration form. If you are a non-profit organization, provide a copy of the current Internal Revenue Service tax exemption letter, which certifies the organization's non-profit status.

____ **3) Documentation of Organizational Establishment and Structure**
Provide an official or published statement of the purpose of your organization and of the power, which have been granted to it to enter into contractual relationships and/or accept awards (e.g. articles of incorporation, by-laws). This should include a brief description of your organization's objectives, and also an organizational chart reflecting the structure of your organization.

____ **4) Listing of Current or Recent Federal Awards**
Provide a listing of all federal awards (grants, contracts and cooperative agreements) received by your organization over the past two years. Please provide the name of the agency, award number, amount, and title of the project.

____ **5) Financial Management Systems Questionnaire (FMSQ), Form 358** (see Appendix 3)
Complete the questionnaire and sign the form.

____ **6) Financial Statements** (see Section B.1 of this Guide)
Provide your organization's financial statements for the two most recently ended fiscal years. If audited financial statements are not available, please ALSO submit the organization's tax returns for the two most recently ended fiscal years.

____ **7) Project Cost Ledger** (see Section B.2 of this Guide)
This ledger may be called by different names (Profit vs. Loss, Budget vs. Actual) depending on your organization. Documentation submitted should show how the organization will track grant expenditures by line item, reconcile current expenditures to the amount budgeted, and keep grant expenditures separate from organizational expenditures. If you have existing or recent grant awards, please submit a copy of the ledger the organization used to track those expenses.

____ **8) Time and Effort Reporting Policies and Sample Timesheet** (see Section B.3 of this Guide)
Provide the current time and effort reporting policies in place at your organization. In addition, provide an example of the timesheet employees will use to report effort charged to the NSF project. Note: SSN's and other personal data should be redacted.

____ **9) Allowable Costs** (see Section B.4 of this Guide)
Provide the current policies in place at the organization governing the types of expenditures that can be made under federally sponsored projects. These should include how the organization will evaluate purchases to ensure that they are necessary, reasonable, allocable and allowable.

____ **10) Subaward Monitoring Policies and Subaward Agreement, if applicable** (see Section B.5)
If your proposal contains a subaward, provide the current subaward monitoring policies in place at the organization as well as a copy of the proposed subaward agreement.

DRAFT

____ **11) Support of Indirect Costs** (see Section C of this Guide)
Provide a copy of the organization's current negotiated indirect cost rate agreement (NICRA). If you do not have a negotiated indirect cost rate and are requesting indirect costs, submit the full indirect cost rate proposal: http://www.nsf.gov/bfa/dias/caar/docs/idcsubmissions.pdf.

Items 1 - 11 should be submitted within 15 calendar days of request to the applicable NSF award-making division. Electronic submissions are acceptable and encouraged.

For awardees who cannot submit these documents electronically, please mail them to:

National Science Foundation
Attn: Name of Requesting Office or Official
4201 Wilson Boulevard
Arlington, VA 22230-0001

*****EXCEPTION for Small Business Innovation Research (SBIR)/STTR Phase II applicants*****

SBIR/STTR Phase II applicants have **10 calendar days** to respond to the NSF Program Manager's request for this documentation. This material should be sent to the Division of Institution and Award Support (DIAS) as directed. In addition to items 1-11, SBIR/STTR Phase II applicants should also provide the following:

____ **12) Current payroll registers or pay stubs for all project personnel with a proposed annualized salary in excess of $50,000** (Note: SSN's and other personal data should be redacted)

____ **13) Indirect cost rate proposal reconciled to the most recently completed financial statements**

DRAFT

AWARDEE ORGANIZATION AND MANAGEMENT SUMMARY

PART I

1. Common Name of Organization:

2a. Employer Identification Number (EIN): **2b. DUNS Number:**

3. Legal Name of Organization (if different):

4. Mailing Address (Street, City, State, Zip Code):

Address 1:

Address 2:

City: State: Zip:

5. Names of Affiliated Organizations (if any):

6. Former Name of Organization (if any):

7a. Type of Organization (select all that apply):

- ☐ State/Local Government or Agency
- ☐ Indian or Tribal Government
- ☐ Hospital/Health Care Facility
- ☐ Educational Institution
- ☐ Non-Profit
- ☐ For-Profit (Commercial)

(if For-Profit, check appropriate boxes):

- ☐ Small Business
- ☐ Minority Business
- ☐ Other (Please Identify):

8. Awardee Organization:

a. President/Chief Executive Officer:

Prefix: Name: Title:

Email: Phone:

b. Award Notification Addressee:

Prefix: Name: Title:

Email: Phone:

9. Remarks:

PART II (For NSF Use Only)

10. NSF Institution Code:

11. Organization appears to have the management and financial capabilities to administer NSF awards: ☐ Yes ☐ No

12. Grants and Agreements Specialist Signature: **Date:**

DRAFT

SMALL BUSINESS DECLARATION

The company named below **(IS ____) (IS NOT ____)** a small business concern. A small business concern by the Government definition is a concern, including its affiliates, which is independently owned and operated and is not dominant in the field of operation in which it is quoting on Government solicitations. The business concern can further qualify under the criteria concerning number of employees, average annual receipts, and other criteria, as prescribed by the Small Business Administration.

For detailed industry definition and related procedures, see Code of Federal Regulations, Title 13, Part 121, as amended, which contains detailed industry definitions and related procedures.

Company Name: _____

Chief Executive Officer or Designee:_____

_____ _____

(Signature of Chief Executive Officer or Designee) **(Date Signed)**

DRAFT

NATIONAL SCIENCE FOUNDATION

OFFICE OF BUDGET, FINANCE AND AWARD MANAGEMENT

FINANCIAL MANAGEMENT SYSTEMS QUESTIONNAIRE

Section A: PURPOSE

The financial responsibility of grantees must be such that the grantee can properly discharge the public trust which accompanies the authority to expend public funds. Adequate accounting systems (at a minimum) should meet the following criteria as outlined in Section .21 of 2 CFR 215 (OMB Circular A-110):

(1) Complete and accurate financial reports based on actual historical cost data(including balance sheets and income statements);
(2) Records that identify adequately the source and application of funds for federally-sponsored activities (including obligations, unobligated balances, assets, outlays, income and interest);
(3) Effective control over and accountability for all funds (recipients must safeguard funds so that they are used solely for authorized purposes);
(4) Identification of expenditures as direct, indirect, and unallowable;
(5) Identification of costs (budgeted and actual expense) by project/grant;
(6) Maintenance of adequate source documentation (purchase orders, invoices, canceled checks, etc.); and
(7) Maintenance of adequate documentation to support cost-sharing (must meet the criteria established in Section .23 of 2 CFR 215)

Section B: GENERAL

Legal Name of Organization:

Street Address:

City: **State:** **Zip Code:**

Representative Name: **Phone:**

Title: **Email:**

Month/Year Org. Established: **Approximate Number of Employees:** Full Time:_____ Part Time:_____

Brief Description of Organization's Service or Product:

Type of Organization (select all that apply):

☐ State/Local Government or Agency ☐ Educational Institution
☐ Indian or Tribal Government ☐ Non-Profit
☐ Hospital/Health Care Facility ☐ For-Profit (Commercial)

(if For-Profit, check appropriate boxes):

☐ Small Business
☐ Minority Business
☐ Other (please specify):

If you are an educational institution, please list your accrediting body:_____

Section C: AUDIT HISTORY

1. Did your organization spend more than $500,000 in federal grant funds last year? ☐ Yes ☐ No

a. If yes, was an A-133 audit performed? ☐ Yes ☐ No

b. Audit Date (MM/YYYY): c. Name of Auditing Firm:

2. Were any of the following conditions reported? If so, please explain (additional space for response is provided in Section J, if necessary):

☐ Audit Findings ☐ Qualified Opinion ☐ Material Weakness ☐ Significant Deficiency ☐ Material Noncompliance

3. Is the organization subject to Defense Contract Auditing Agency (DCAA), Divisional Administrative Contracting Officer (DACO) or other external Federal audits? ☐ Yes ☐ No

a. If yes, when was this last audit conducted? (MM/YYYY): b. Fiscal Year Ending:

c. If yes, which type of audit(s) was performed? (select all that apply):

☐ Direct Cost ☐ Incurred Cost ☐ Accounting System ☐ Timekeeping System ☐ Other

d. If yes, were any findings reported? If so, please explain (additional space for response is provided in Section J, if necessary):

DRAFT

(continued on next page)

Section D: FINANCIAL STATEMENTS

1. Does your organization maintain audited financial statements? ☐ Yes ☐ No

2. If yes, when was the last financial statement audit conducted? (MM/YYYY): a. Fiscal Year Ending:

b. Name of Auditing Firm: c. Qualified Opinion? ☐ Yes ☐ No

d. If a qualified opinion was given, please explain (additional space for response is provided in Section J, if necessary):

e. If audited financial statements are not maintained, are unaudited statements prepared in accordance with Generally Accepted Accounting Principles (GAAP)? ☐ Yes ☐ No

3. *Please provide audited financial statements for the organization's two most recent accounting years. In the absence of audited financial statements, please submit unaudited financial statements, along with Federal tax returns for the two most recent accounting years.*

Section E: ACCOUNTING SYSTEM

1. Which of the following best describes the accounting system: ☐ Manual ☐ Automated ☐ Combination

2. Does the system use a cash-based or an accrual-based method of accounting? ☐ Cash ☐ Accrual

3. What books of account are maintained (select all that apply):

☐ General Ledger ☐ Project Cost Ledger ☐ Cash Disbursement Journal ☐ Cash Receipts Journal ☐ Payroll Journal

4. If the organization proposes an indirect or overhead rate, does the accounting system provide for the segregation of direct and indirect expenses? ☐ Yes ☐ No ☐ Not Applicable

5. Does the accounting system identify the receipt and expenditure of funds separately for each grant or contract? ☐ Yes ☐ No

6. Does the accounting system provide for the recording of grant and/or contract costs according to the line-item categories in the approved proposal budget? ☐ Yes ☐ No

7. If your program requires cost sharing/matching, does the accounting system provide for the recording and proper documentation of all cost shares/matches? ☐ Yes ☐ No ☐ Not Applicable

8. Does the accounting system provide for the recording of participant support costs as a separate cost category? ☐ Yes ☐ No

9. Does the accounting/financial system include budgetary control to preclude incurring obligations in excess of:

(a) Total funds available for a grant? ☐ Yes ☐ No

(b) Total funds available for a budget cost category (e.g. Personnel, Travel, etc.)? ☐ Yes ☐ No

10. Please attach a sample and provide a brief description of the accounting system in place at your organization. Please also describe how the system segregates grant/contract expenditures from organizational expenditures. Additional space for response is provided in Section J, if necessary:

11. Which set of Federal cost principles does your organization generally follow?

☐ OMB Circular A-21 (2 CFR 220) ☐ OMB Circular A-87 (2 CFR 225) ☐ OMB Circular A-122 (2 CFR 230) ☐ FAR 31.2

12. Are appropriate personnel familiar with the applicable cost principles and able to determine whether costs in connection with Federal grants/contracts can be considered allocable, allowable, reasonable and necessary? ☐ Yes ☐ No

Section F: FUNDS MANAGEMENT

1. Is a separate bank account maintained for Federal grant/contract funds? ☐ Yes ☐ No

2. If a separate bank account is not maintained, can the Federal grant/contract funds and related expenses be readily identified? ☐ Yes ☐ No

3. Does your organization have procedures in place to minimize the time elapsing between the transfer of funds to your organization by a Federal agency and your organization's expenditure of such funds? ☐ Yes ☐ No

DRAFT

(continued on next page)

Section G: PURCHASING SYSTEM

1. Does the organization maintain asset inventory records?	☐ Yes	☐ No
2. Does the organization have policies relating to buy/lease analysis and competitive purchases over $25,000?	☐ Yes	☐ No
3. What is the dollar threshold for the capitalization of equipment? **$**		

Section H: TIME AND EFFORT SYSTEM

1. Does the time and effort system allow an employee to report his/her TOTAL effort (100%)?	☐ Yes	☐ No
2. Does the time and effort system allow employees to report actual time worked to multiple funding sources?	☐ Yes	☐ No

3. Which of the following best describes the time and effort reporting system: ☐ Manual ☐ Automated ☐ Combination

4. Which of the following best describes the time and effort reporting process? (please select one):

☐ After the Fact	☐ Plan Confirmation	☐ Other (please describe):
Time/Effort is reported after-the-fact and records actual hours worked/effort	Time/Effort is estimated at the beginning of the period and confirmed/adjusted at the end, based on actual hours worked/effort	

5. Please attach a sample timesheet and current time and effort reporting policies in place at your organization.
If not specifically discussed in the policies, please also briefly describe how employee time and effort in support of the grant/contract is kept separate from time and effort spent in support of organizational duties, and how reported employee time and effort is reconciled to the organization's payroll system.
Additional space for response is provided in Section J, if necessary:

Section I: INDIRECT COST RATE

1. Does your organization hold a formally negotiated indirect cost rate agreement with any Federal agency?	☐ Yes ☐ No
a. If yes, which agency?	b. Date of Agreement:

2. If you are requesting indirect costs in your NSF proposal budget, please attach a copy of your most current rate agreement. If you do not hold a formally negotiated indirect cost rate, please refer to the NSF Indirect Cost Rate Proposal Submission Procedures at: http://www.nsf.gov/bfa/dias/caar/docs/idcsubmissions.pdf.

Section J: ADDITIONAL INFORMATION

Use this space for any additional information (please indicate section if a continuation of a response). Additional sheets may be attached if necessary.

Section K: APPLICANT CERTIFICATION

I certify that the statements I have made on this form and all attachments thereto are true, accurate and complete to the best of my knowledge. I understand that the willful provision of false information or concealing a material fact in this representation is a criminal offense under Title 18 U.S.C. Section 1001, False Statements, as well as Title 18 U.S.C. Section 287, False Claims, and may be punishable by fine and/or imprisonment under applicable law.

Prepared by (Name, please print):	**Title:**
Signature:	**Date:**

DRAFT