

Common Errors and Pitfalls Which Can Affect Funding

Issue Present?
(Yes/No)

I. Accounting system and timekeeping system review

Financial Management Systems Questionnaire not filled out completely

Details of audits underway or completed not provided (if any)

Company is not maintaining sufficient books and records (as indicated by responses on Financial Management Systems Questionnaire and other information provided)

Example timesheet in use by the company not provided

For companies with automated (or web-based) timekeeping applications – applicant does not provide screen shots demonstrating how system works

II. Issues affecting financial statements and financial information submitted

Retained earnings are not arithmetically correct or do not carryforward correctly from one period to another

No rollforward schedule provided for the capital and equity accounts

Obvious presentation or accounting errors in financial statements

Common Errors and Pitfalls Which Can Affect Funding

Issue Present?
(Yes/No)

Notes to financial statements do not adequately explain the basis of accounting or accounting methods used to prepare them

Company's financial statements do not contain the necessary adjustments and accruals necessary for fair presentation of the company's financial position and results of operations

Financial statements prepared on a pro forma basis; or reflecting transactions which haven't happened yet. (i.e. not on historical cost basis)

The financial statements do not contain a statement from the company's management or its external CPA/accounting consultant whether or not the financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP).

If the financial statements are not prepared in accordance with GAAP, then the company should provide:

1. A brief description of the adjustments necessary to present the statements in accordance with GAAP; and
2. Quantification of the adjustments; if this information is known.

Financial information on tax return is not consistent (or reconcilable) to financial statements of the same year.

Draft

Common Errors and Pitfalls Which Can Affect Funding

Issue Present?
(Yes/No)

(III). Financial capability review

Financial information submitted is not responsive to requirements on NSF website

Details of debt obligations are not provided (such as interest rate and repayment provisions)

Cash flow projection not provided (if needed to support financial capability). If submitted,

- Cash flow projection showing unusually optimistic assumptions
- Details and support for expected capital investments not provided
- Details/reasonable support of expected revenues not provided

Indications of financial difficulty in financial statements, with no clear plan by management for addressing

Documentation or support not provided for future capital investments

Substantial loans coming due for which no obvious source of repayment is available

Investor support letters not provided (i.e. for companies dependent on continuing financial support from its investors or lenders)

Draft

Common Errors and Pitfalls Which Can Affect Funding

Issue Present?
(Yes/No)

(iv) **Budget review process**

Salaries/wages

Current pay stub(s) not provided for employees

Employment agreement or employment letter not provided for employees to be hired

Requested salary is in excess of the amount supported by DOL/BLS surveys for the specific metropolitan location where work will be conducted

Requested salary is not consistent with the employee's current salary or pay rate.

SOC classification not consistent with employee's role on project

CEO or VP-level employment classification used to determine the average salary per the DOL/BLS salary survey

External charge-out rate is used for an employee (e.g. \$100 per hour) rather than an employee's actual salary cost

CAL months of effort (in Fastlane budget) not consistent with the number of hours to be worked in budget justification

Excessive escalation requested for salaries in Year 2

Equipment

Details of the items to be purchased not provided

Common Errors and Pitfalls Which Can Affect Funding

Issue Present?
(Yes/No)

(including description, estimated cost, vendor name, etc.)

Travel

Details not included per NSF website (e.g. destination, purpose of travel, number of days, and the estimated costs)

Materials and supplies

Budget submission does not include a clean, detailed list of items to be purchased

Description of items to be purchased is vague or incomplete. (NSF reviewer unable to determine what was being purchased)

Supplementary information to support purchases is not provided (such as name of vendor; vendor quote (if >\$5,000); expected quantity, etc.)

For manufacturing of prototypes - Expected Bill of Materials (BOM) not provided.

Consultant services

A copy of the signed consulting agreement not provided

Consulting agreement does not meet the minimum requirements of the NSF (NSF website)

Consultant's rate is greater than the maximum rate of \$ _____ per 8 hour day; or \$ _____ per hour.

Subawards

Information submitted does not meet the minimum

Draft

Common Errors and Pitfalls Which Can Affect Funding

Issue Present?
(Yes/No)

requirements listed on NSF website

For subawards to universities - company does not provide a confirmation from university that the fringe and indirect costs budgeted in the sub-award budget do not contain any reimbursement for tuition expenses not provided.

For subawards to commercial organizations – company did not provide (a) a detailed budget on how the subaward would be spent and (b) an analysis to support that the subaward budgeted amount is reasonable.

Indirect Cost Proposal (IDCP)

Reconciliation of IDCP to total expenses in company's financial statements is not provided

NSF specific rules for the treatment of IR&D, sales/marketing, patent and other costs are not followed

Company does not have a Cost Policy Statement

Unallowable costs are not fully identified and excluded from the indirect pool

If budgeted indirect cost rate is requested:

Budgeted pool expenses are not supported by external documentation

Budgeted allocation base does not include all activities which are expected to absorb indirect costs