



National Science Foundation • Office of Inspector General

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MEMORANDUM

Date: July 24, 2017

To: Suzanne H. Plimpton, Reports Clearance Officer

From: Mark Bell, Assistant Inspector General, Office of Audits 

Subject: Office of Inspector General Comments on the Draft *Proposal and Award Policies and Procedures Guide*

Attached are the consolidated comments of the National Science Foundation Office of Inspector General on the draft *Proposal and Award Policies and Procedures Guide* (PPAPG) dated May 2017. Overall, we are happy with NSF's continued commitment to proper grant oversight. However, we note in several comments that there is an opportunity for improved clarity in regards to how the PAPPG in its entirety is incorporated into the terms and conditions of individual awards. We hope you find our comments and suggestions useful.

If you have any questions or wish to discuss, please contact Dan Buchtel, Director, External Audits, at 303-844-5645.

Attachment

Comment #	Section/ Page Number	Language in PAPPG/Observations	Comments and Suggestions
1	Introduction, Sec. B, pg. x (PDF pg. 11/162)	“The PAPPG, in conjunction with the applicable standard award conditions incorporated by referenced in the award...”	We suggest removing “d” from referenced so this phrase says, “The PAPPG, in conjunction with the applicable standard award conditions incorporated by reference in the award...”
2	Introduction, Sec. B, pg. x (PDF pg. 11/162)	“When NSF Grant General Conditions or an award notice reference a particular section of the PAPPG, then that section becomes part of the award requirements through incorporation by reference.”	This sentence is confusing in light of the preceding sentences, which state, “Part II of the <i>NSF Proposal & Award Policies & Procedures Guide</i> sets forth NSF policies regarding the award, administration, and monitoring of grants and cooperative agreements. Coverage includes the NSF award process, from issuance and administration of an NSF award through closeout. Guidance is provided regarding other grant requirements or considerations that either are not universally applicable or do not follow the award cycle.” NSF General Grant Conditions require recipients to comply with NSF policies (NSF General Grant Conditions, Article 1.d.2), which are set forth in this document. The sentence in question could wrongly lead one to believe that only sections of the PAPPG specifically mentioned in award terms and conditions need to be followed. We strongly suggest that this sentence be removed.
3	Introduction, Sec. B, pg. x (PDF pg. 11/162)	“The PAPPG does not apply to NSF contracts.”	We suggest expanding this to include language that appeared in prior versions of the AAG: “The PAPPG is applicable to NSF grants and cooperative agreements, unless noted otherwise in the award instrument. This Guide does not apply to NSF contracts.”
4	Introduction, Sec. E.10, pg. xvii (PDF pg. 18/162)	“Anyone, including grant recipients, administrators, and NSF personnel, should contact the OIG (1-800-428- 2189 or oig@nsf.gov) to report instances of possible misconduct, fraud, waste, or abuse.”	We suggest that a note be added referencing the Whistleblower Protection Act and that a brief description be added outlining protections for reporting instances of misconduct, fraud, waste, or abuse.

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5	Chapter I, Sec. F.2, pg. I-7 (PDF pg. 26/162)	“Proposers should then follow the written or verbal guidance provided by the cognizant NSF Program Officer.”	We suggest that approval for exceptions to the deadline date policy only be provided in writing rather than also allowing for the option of verbal approval.
6	Chapter II, Sec. C.1.e, pgs. II-6-7 (PDF pgs. 35-34/162)	Regarding collaborators and other affiliations (COA), a footnote states that the new COA template does not include disclosure of graduate advisors. “ ¹³ Note that graduate advisors are no longer required to be reported.”	We suggest keeping the requirement to disclose graduate advisors. Like PhD advisors, such individuals are likely to have a close personal relationship with the individual filling out the COA template and it would be useful to know who these individuals are, just as NSF requests disclosure of PhD advisors.
7	Chapter II, Sec. C.2.g, pg. II-15 (PDF pg. 43/162)	“Each proposal must contain a budget for each year of support requested. The budget justification must be no more than three pages per proposal.”	We suggest increasing the page limit for the budget justification to five pages. This will allow for a more thorough review and understanding of the nuances of each award’s budget.
8	Chapter II, Sec. C.2.g.(i)(a), pg. II-16 (PDF pg. 44/162)	“As a general policy, NSF limits the salary compensation requested in the proposal budget for senior personnel to no more than two months of their regular salary in any one year.”	<p>The purpose of this “general policy” appears to be to implement the preceding paragraph: “NSF regards research as one of the normal functions of faculty members at institutions of higher education. Compensation for time normally spent on research within the term of appointment is deemed to be included within the faculty member’s regular organizational salary.”</p> <ol style="list-style-type: none"> 1. We suggest strengthening the last sentence quoted above by adding, “NSF funds are not intended to subsidize normal functions already required of faculty members and included in faculty salaries.” 2. Although NSF states its “general policy” for senior personnel compensation as a limit, awardees are allowed to exceed this limit “(u)nder normal rebudgeting authority.” We suggest that NSF should either (a) move away from the 2-month salary limit and develop a new means to implement its position that faculty members’

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			<p>institutional salaries include compensation for research, or (b) enforce the limit by requiring specific NSF approval for senior personnel salaries in excess of two months per year.</p> <p>3. We suggest editing this section to refer to the definition of senior personnel contained in Exhibit II-7. In addition, we suggest that NSF should affirmatively state that the senior personnel salary policy applies to all employees included in the senior personnel section of the proposal budget, regardless of their job classification within the institution. This unwritten definition was stated by several NSF officials at the Spring Grants Conference (June 2017).</p> <p>4. The policy states that “no prior approval from NSF is necessary as long as that change would not cause the objectives or scope of the project to change.” We suggest that NSF provide guidance to assist awardees in determining whether a proposed change would result in a change of project scope or objectives.</p>
9	Chapter II, Sec. C.2.g(i), pg. II-16 (PDF pg. 44/162)	<p>“It is the organization’s responsibility to define and consistently apply the term “year”.”</p> <p>Per comment j7, “This new language has been added to clarify that it is the organization’s responsibility to define and apply the term ‘year’.”</p>	We suggest inserting some parameters here, such as upper or lower limits (i.e., “Organizations can define a year as any 12 month period,”) so it is clear the definition must be reasonable and consistent year-to-year.
10	Chapter II, Sec. C.2.g.(vi)(f), pg. II-20 (PDF pg. 48/162)	“Any other direct costs not specified in Lines G1 through G5 must be identified on Line G6.	We suggest adding a reference that any contingency funds relating to large facility projects should be included in this

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		Such costs must be itemized and detailed in the budget justification.”	category, and that more information can be found on page 4.2.2-9 of the Large Facility Manual.
11	Chapter II, Sec. C.2.g.(viii), pg. II-21 (PDF pg. 49/162)	“Indirect Costs (also known as Facilities and Administrative Costs (F&A) for Colleges and Universities)”	We suggest that the budget justification include a description of how the base for the indirect costs was calculated in the proposed budget, especially for organizations with multiple indirect cost rates. This requirement would help reviewers ensure that the proposed indirect costs were calculated correctly using the correct rates and bases.
12	Chapter II, Sec. C.2.i, pg. II-23 (PDF pg. 51/162)	“Proposers should include an aggregated description of the internal and external resources (both physical and personnel) that the organization and its collaborators will provide to the project, should it be funded.”	We suggest instructing applicants to distinguish which facilities, equipment, and resources are coming from which project participants so it is clear what is coming from the grantee versus subawardees versus collaborators. Facilities, and which facilities are the grantee’s versus collaborator’s, have been at issue in a number of OIG cases and requiring this information to be disclosed up front would increase transparency, decrease the likelihood for misrepresentations, and increase OIG’s ability to pursue these cases.
13	Chapter II, Sec. D.6, pgs. II-33-32 (PDF pgs. 59-60/162)	“This section applies to all research, for which NSF grant funds may be used, that potentially falls within the scope of the US Government Policy for Institutional Oversight of Life Sciences Dual Use Research of Concern (http://www.phe.gov/s3/dualuse/Pages/default.aspx) as published in September, 2014, hereafter referred to as the “Policy”. b. Policy NSF is committed to preserving the benefits of life sciences research while minimizing the	For increased readability, and to be consistent with how the policy is referred to in the last sentence of this section, we suggest changing “hereafter referred to as the ‘Policy’” to state “hereafter referred to as the ‘US Government Policy on DURC.’”

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		risk of misuse of the knowledge, information, products, or technologies provided by such research. The purpose of NSF’s implementation of the Policy is to clarify proposer expectations about NSF-funded research with certain high-consequence pathogens and toxins with potential to be considered dual use research of concern. Proposing organizations are responsible for identifying NSF-funded life sciences proposals that could potentially be considered dual use research of concern as defined in the Policy and for compliance with the requirements established in that Policy therein. NSF will not fund research that would be considered to lead to a gain of function of agents associated with the US Government Policy on DURC (See also Chapter XI.B.5 for additional information.)”	
14	Chapter VI, Sec.C, pg. VI-2 (PDF pg. 101/162)	“When these conditions reference a particular PAPPG section, that section becomes part of the award requirements through incorporation by reference.”	Please see our suggestions outlined in comment number 2.
15	Chapter VI, Sec. D.2.a, pg. VI-2 (PDF pg. 101/162)	“Except in fixed amount awards, an NSF grant gives authority to the grantee to commit and expend funds for allowable costs (see Chapter X) in support of the project up to the grant amount specified in the award notice at any time during the grant period.”	We suggest removing “Except in fixed amount awards” from this sentence. As written, this sentence removes fixed amount awards from the requirement of spending funds during the grant period when this requirement should apply to all NSF grants (subject to exceptions for certain pre-award expenses).

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16	Chapter VI, Sec. D.3.c.(i), pg. VI-2 (PDF pg. 101/162)	“Grantees are not authorized to extend an award that contains a zero balance.”	<p>1.We suggest that “zero balance” be clearly defined. It is unclear if a zero balance refers to all funds being disbursed through ACM\$ or when costs incurred meet or exceed the approved funding amount.</p> <p>2.We suggest that NSF affirmatively state it will reject grantee requests for no-cost extensions that appear “merely for the purpose of using the unliquidated balances.”</p>
17	Chapter VI, Sec. E.4.e, pg. VI-5 (PDF pg. 104/162)	“Special NSF programs such as Research Experiences for Undergraduates may provide their funding through supplements to other NSF grants. In such instances, the guidance in this section may not be applicable.”	For greater clarity, we suggest adding a sentence to the end of this subsection to the effect of: “For such programs, please refer to the requirements in the applicable <i>Dear Colleague</i> letter.” Without such language, this section says what rules may not apply, but does not provide guidance as to what rules do apply in such circumstances.
18	Chapter VII, Sec. A.2, pg. VII-1 (PDF pg. 105/162)	“Guidance regarding prior approval requirements is covered in Chapter X.A.3.”	<p>We suggest replacing this text with the following: “Certain actions require prior approval from NSF. Guidance regarding prior approval requirements is covered in Chapter X.A.3 and the NSF column of the Research Terms and Conditions, Appendix A.”</p> <p>In addition to adding an explicit statement that clarifies there are some actions that require prior NSF approval, we suggest linking directly to the RTC, Appendix A matrix here, in addition to Chapter X.A.3., since Chapter X.A.3 does not include much detail and primarily just refers the reader to RTC Appendix A. This is more efficient for the reader as it cuts out one additional mouse click between them and the relevant information. It also helps to provide experienced grantees with this information where it used to be conveyed in Chapter VII and the related exhibit.</p>

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19	Chapter VII, Sec. B.1.a, pg. VII-2 (PDF pg.106/162)	1.“The objectives or scope of the project may not be changed without prior NSF approval.” 2.“Prior written NSF approval also is required for changes to the Facilities, Equipment and Other Resources section of the approved proposal that would constitute changes in objectives or scope.”	We suggest adopting similar guidance to the National Institutes of Health that defines change of scope and provides potential indicators. This guidance can be found in section 8.1.2.5 of the <i>NIH Grants Policy Statement</i> . Alternatively, we suggest adding a list of circumstances that could be considered a change of scope. For example, significant increase/decrease in a PI’s effort allocated to the project, a significant decrease in research opportunities for graduate and undergraduate students, and significant (> 25%) rebudgeting of costs among budget categories, which indicates a material change in the research methodology.
20	Chapter VII, Sec. B.1.b, pg. VII-2 (PDF pg. 106/162)	“Significant changes in methods or procedures should be reported to appropriate grantee official(s). The PI/PD also must notify NSF via use of NSF’s electronic systems.”	We suggest that NSF provide guidance to awardees to determine whether a proposed action is “significant” enough to warrant NSF notification. For instance, does an alteration to the number of students funded by the award constitute a significant change? Do equipment expenditures on a project that had no budgeted equipment because the awardee’s existing facilities and equipment were sufficient indicate a “significant change in methods or procedures?”
21	Chapter VII, Sec. B.2.e, pg. VII-3 (PDF pg. 107/162)	“In cases where a former employee or IPA is being reappointed as PI or co-PI to an award they were previously involved with, the grantee must submit a "Change of PI" request using the FastLane Notifications and Requests module....”	We suggest inserting “NSF,” as follows, for clarity: “In cases where a former <u>NSF</u> employee or IPA is being reappointed as PI or co-PI to an award they were previously involved with, the grantee must submit a ‘Change of PI’ request using the FastLane Notifications and Requests module”
22	Chapter VIII, Sec. C.4, pg. VIII-4 (PDF pg. 117/162)	Under Special Payment Grantees, it states: “Documentation may be submitted by email, by fax to 703-292-9142, or through the mail to:	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).

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		National Science Foundation Division of Grants & Agreements Room 480 4201 Wilson Blvd Arlington, VA 22230”	
23	Chapter VIII, Sec. D.2, pg. VIII-4 (PDF pg. 117/162)	Under Erroneous Payments, it states: “Checks shall be mailed to NSF, Attn. Cashier, 4201 Wilson Boulevard, Arlington, VA 22230.”	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).
24	Chapter VIII, Sec. E.6, pg. VIII-8 (PDF pg. 121/162)	“NSF will notify grantees of any canceling appropriations on open awards in order for grantees to properly expend and draw down funds before the end of the fiscal year.”	We suggest highlighting the word “properly” in bold and/or italics. We also suggest adding language to the effect: “Grantees should not interpret NSF’s notification of canceling appropriations as direction to draw down NSF funds for which there is no associated expenditure need. The timing and amount of advance payments must be as close as is administratively practicable to the actual disbursements by the grantee for direct program or project costs and the proportionate share of any allowable indirect costs (F&A). (See Chapter VIII.C.2.a.)”
25	Chapter IX, Sec. D.5.i(ii), pg. IX-9 (PDF pg. 130/162)	Under Accountability and Recordkeeping, it states: “Further details may be obtained from the Property Administrator, Division of Administrative Services, National Science Foundation, 4201 Wilson Boulevard, Room 295, Arlington, VA 22230.”	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).
26	Chapter X, Sec A.2.b, pg. X-1 (PDF pg. 131/162)	Pre-Award (Pre-Start Date) Costs	We suggest language reinforcing the policy in Chapter VI, Sec. E.2. that costs incurred under an “old grant cannot be transferred to the new grant” in the case of a renewal grant. The 90-day preaward cost allowability provision should not apply to renewal grants, even if the “old” award has

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			been fully expended. This would constitute a transfer of a loss on the “old” grant to the “new” grant, which is unallowable under 2 CFR § 200.451.
27	Chapter X, Sec. B, pg. X-3 (PDF pg. 133/162)	Comment j3: “Coverage on Administrative and Clerical Costs has been deleted as it is redundant to coverage articulated in the Uniform Guidance.”	We suggest keeping in previous language on “Administrative and Clerical Salaries and Wages,” to parallel the section that was kept about this topic in Chapter 2. There are a number of items in the PAPPG that set forth the same rules articulated in the Uniform Guidance. This seems like an important rule that is worth emphasizing here, even if it is also included in the Uniform Guidance. At a minimum, we suggest keeping a reference to the applicable Uniform Guidance provision here on this topic.
28	Chapter X, Sec. B, pg. X-3 (PDF pg. 133/162)	Comment j4: “Guidance regarding inclusion in the proposal budget has been deleted as it is redundant to coverage in the PAPPG Part I, Chapter II.”	We suggest keeping in previous language regarding the requirement to include this information in the proposal for emphasis and to ensure that the awardees know the rules if they look up the issue and are pointed this section of the PAPPG instead of Chapter 2. At a minimum, we suggest inserting a reference to the applicable subsection of Chapter II.
29	Chapter X, Sec. C, pg. X-4 (PDF pg. 134/162)	Comments j6: “Coverage on Rental or Lease of Facilities or Special Purpose Equipment has been deleted as it is redundant to coverage articulated in the Uniform Guidance.” and Comment j7: “Coverage on Relocation Costs has been deleted as it is redundant to coverage articulated in the Uniform Guidance.”	We suggest keeping in previous language and references to applicable Uniform Guidance Provisions. There are a number of items in the PAPPG that set forth the same rules articulated in the Uniform Guidance. At a minimum, we suggest keeping a reference to the applicable Uniform Guidance provision here on this topic.
30	Chapter XI, Sec. A.1.b, pg. XI-1 (PDF pg. 137/162)	“When an NSF grantee receives a complaint alleging discrimination under any of these statutes and the complainant requests that	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost

Attachment A- NSF OIG Comments on Federal Register Document 2017-10562; *NSF Proposal and Award Policies and Procedures Guide*

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		NSF conduct the investigation, the original complaint is to be sent to the Director, Office of Diversity and Inclusion (ODI), National Science Foundation, 4201 Wilson Boulevard, Suite 255 South, Arlington, VA 22230.”	Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).
31	Chapter XI, Sec. A.8.b, pg. XI-4 (PDF pg. 140/162)	“In instances when E.O. 13166 is applicable, NSF grantees should contact NSF’s LEP Coordinator within the Office of Diversity and Inclusion for guidance at 4201 Wilson Boulevard, Suite 255 South, Arlington, VA 22230 or 1-703-292-8020”	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).
32	Chapter XI, Sec. B.5, pgs. XI-7-8 (PDF pgs. 143-44/162)	<p>“This section applies to all research, for which NSF grant funds may be used, that potentially falls within the scope of the US Government Policy for Institutional Oversight of Life Sciences Dual Use Research of Concern (http://www.phe.gov/s3/dualuse/Pages/default.aspx) as published in September 2014, hereafter referred to as the “Policy”.</p> <p>b. Policy</p> <p>NSF is committed to preserving the benefits of life sciences research while minimizing the risk of misuse of the knowledge, information, products, or technologies provided by such research. The purpose to NSF’s implementation of this Policy is to clarify grantee expectations about NSF-funded research with certain high-consequence pathogens and toxins with potential to be considered dual use research of concern.</p>	For increased readability, and consistent with comment 13 regarding Chapter II, Section D.6, above, and how the policy is referred to in the last sentence of that section, we suggest changing “hereafter referred to as the ‘Policy’” to state “hereafter referred to as the ‘US Government Policy on DURC.’”

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		Grantees are responsible for monitoring the research progress and for implementation of all appropriate biosafety and biosecurity risk mitigation measures including compliance with all applicable laws and regulations related to that implementation, including the Policy specified above. While the White House Office of Science and Technology has lifted the research funding pause on gain of function research as of January 2017 (https://www.phe.gov/s3/dualuse/Pages/GainOfFunction.aspx), NSF will not consider funding research that would lead to a gain of function for agents of concern. (See also http://osp.od.nih.gov/office-biotechnology-activities/biosecurity/dual-use-research-concern for Frequently Asked Questions, case studies, and other educational materials on DURC.)”	
33	Chapter XI, Sec. D.1.d.b, pg. XI-10 (PDF pg. 146/162)	“Questions on use of iEdison and requests for permission to submit material in other forms may be sent to the NSF Patent Assistant at patents@nsf.gov , or at the Office of the General Counsel, National Science Foundation, 4201 Wilson Boulevard, Arlington, VA 22230.”	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).
34	Chapter XII, Sec. B.3, pg. XII-3 (PDF pg. 158/162)	“The grantee should submit a letter addressed to both the Division Director, Division of Grants and Agreements (DGA) and the Division Director, Division of Acquisition and Cooperative Support (DACS), National	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).

Attachment A- NSF OIG Comments on Federal Register Document 2017-10562; *NSF Proposal and Award Policies and Procedures Guide*

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		Science Foundation, 4201 Wilson Boulevard, Arlington, VA 22230.”	
35	Chapter XII, Sec. C.3, pg. XII-6 (PDF pg. 161/162)	“Possible misconduct in activities funded by NSF should be reported to the Office of the Inspector General, National Science Foundation, 4201 Wilson Boulevard, Arlington, VA 22230, (703) 292-7100 or (800) 428- 2189 or via e-mail at: oig@nsf.gov.”	We suggest updating this address to reflect NSF’s relocation (consistent with updated address for NSF Cost Analysis and Pre-Award Review Branch on page X-6 (PDF pg. 136)).