



National Science Foundation • Office of Inspector General
2415 Eisenhower Ave, Alexandria, Virginia 22314

MEMORANDUM

Date: July 12, 2018

To: Suzanne H. Plimpton, Reports Clearance Officer

From: Mark Bell, Assistant Inspector General, Office of Audits
Alan Boehm, Assistant Inspector General, Office of Investigations

Handwritten signatures of Mark Bell and Alan Boehm are placed to the right of the "From:" line.

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* (PAPPG) dated May 2018. Overall, we are happy with NSF's continued commitment to proper grant oversight and 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 |
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| 1 | Introduction, Sec. B, pg. x (PDF pg. 11/166) | “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. |
| 2 | Introduction, Sec. E.10, pg. xix (PDF pg. 20/166) | “Anyone, including grantees, 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 recommend including the website, https://www.nsf.gov/oig/report-fraud/ , in addition to phone number and email in this section, since some individuals may feel more comfortable submitting a complaint anonymously through a web form than in an email or over the phone. Also, the hyperlink needs to be fixed so that the phone number is not part of the email address when you click on “ oig@nsf.gov ”. |

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| 3 | Chapter I, Sec. D.3, pg. I-4 (PDF pg. 25/166) | “Authors other than the PI (or any co-PI) should be named and acknowledged.” | We recommend NSF specify a location for author acknowledgement, for example, as the first entry in the Bibliography. OIG regularly receives queries from both POs and PIs regarding where in the proposal authors not named in the cover sheet should be acknowledged. Clearly stating where such information should be specified would help alleviate confusion and ensure that such information is included and readily identifiable within the proposal. |
| 4 | Chapter I, Sec. E.5, pg. I-5 (PDF pg. 26/166) | “Unless specifically authorized in an NSF solicitation (e.g., NSF postdoctoral fellowship programs), unaffiliated individuals in the US and US citizens are not eligible to receive direct funding support from NSF.” | We suggest inserting “unaffiliated” in front of “US citizens” for greater clarity, such that this sentence reads: “Unless specifically authorized in an NSF solicitation (e.g., NSF postdoctoral fellowship programs), unaffiliated individuals in the US and unaffiliated US citizens are not eligible to receive direct funding support from NSF.” (emphasis added). |
| 5 | Chapter I, Sec. F.2, pg. I-7 (PDF pg. 28/166) | “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.2.g.(i)(a), pg. II-16 (PDF pg. 46/166) | “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 |

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| | | | <p>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’ 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.</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> |
| 7 | Chapter II, Sec. C.2.g(v), pg. II-19 (PDF pg. 49/166) | “For some educational projects conducted at local school districts, however, the participants being trained are employees.” | We suggest removing the “however” from this sentence in light of the additional explanation added to the end of the previous paragraph. |
| 8 | Chapter II, Sec. C.2.g.(vi)(f), pg. II-21 (PDF pg. 51/166) | “Any other direct costs not specified in Lines G1 through G5 must be identified on Line G6. Such costs must be itemized and detailed in the budget justification.” | We suggest adding a reference that any contingency funds relating to large facility projects should be included in this category, and that more information can be found on page 4.2.2-9 of the Large Facility Manual. |
| 9 | Chapter II, Sec. C.2.i, pg. II-24 (PDF pg. 54/166) | “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 recommend 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 collaborators’, have been at issue in a number of our cases |

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| | | | and requiring this information to be disclosed up front would increase transparency, decrease the likelihood for misrepresentations, and increase our ability to pursue these cases. |
| 10 | Chapter II, Sec. D.8, Pg. II-33 (PDF pg. 63/166) | “International Research/Education/Training Activities. For each proposal that describes an international activity, PIs should list the primary countries involved on the Cover Sheet. An international activity is defined as research, training, and/or education carried out in cooperation with foreign counterparts either overseas or in the US using virtual technologies.” | We recommend removing “in cooperation with foreign counterparts” from the definition of “an international activity.” The current definition requires cooperation with foreign counterparts in order to qualify as an international activity and would not cover activities abroad without a cooperating foreign counterpart, which presumably should fall within this definition. |
| 11 | Chapter II, Sec. D.8, Pg. II-33 (PDF pg. 63/166) | “(See also PAPPG Chapter I.E. for additional information.” | Missing closing parenthesis. |
| 12 | Chapter II, Exhibit II-3, pg. II-53 (PDF pg. 83/166) | “For NSF, grantee notification should be made to the Cost Analysis & Audit Resolution Branch, Division of Institution & Award Support, NSF, Arlington, VA 22230.” | We recommend updating this reference to: Cost Analysis and Pre-Award Branch, NSF, 2415 Eisenhower Avenue, Alexandria, Virginia 22314. |
| 13 | Chapter III, Exhibit III-1, pg. III-8 (PDF pg. 96/166) | FastLane and Grants.gov logos appear under “Submit” in the NSF Proposal & Award Process & Timeline Flowchart | We recommend inserting the Research.gov logo next to the other two logos under “Submit,” since proposals can now also be submitted via Research.gov in addition to FastLane and Grants.gov. |
| 14 | Chapter VI, Sec.C, pg. VI-2 (PDF pg. 105/166) | “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 1. |
| 15 | Chapter VI, Sec. D.2.a, pg. VI-2 (PDF pg. 105/166) | “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 | We recommend 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 |

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| | | grant amount specified in the award notice at any time during the grant period.” | requirement should apply to all NSF grants (subject to exceptions for certain pre-award expenses). |
| 16 | Chapter VI, Sec. D.3.c.(i), pg. VI-2 (PDF pg. 106/166) | “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 VII, Sec. A.2, pg. VII-1 (PDF pg. 109/166) | <p>“2. Grantee Notifications to NSF The following is a listing of grantee notifications to NSF: ... Significant Changes in Methods or Procedures (Other than Changes in Objectives or Scope) ... Significant Changes, Delays or Events of Unusual Interest (Other than Changes in Objectives or Scope)”</p> | We recommend including an additional bullet in this list or otherwise adding language to the effect of “Regarding Changes in Objectives or Scope, please see Chapter VII, Sec. B, below.” A reader looking solely at this section, without turning the page, has no guidance regarding changes in objectives or scope, and an explicit statement here would ensure that all readers understand there are requirements that apply to changes in objectives or scope and where to find them. |
| 18 | Chapter VII, Sec. B.1.a, pg. VII-2 (PDF pg.110/166) | <p>1. “The objectives or scope of the project may not be changed without prior NSF approval.”</p> <p>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.”</p> | <p>Suggest hyperlinking the reference to Chapter II.C.2.i for further information</p> <p>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.</p> |

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| 19 | Chapter VII, Sec. B.1.b, pg. VII-2 (PDF pg. 110/166) | “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?” |
| 20 | Chapter VIII, Sec. B.11, pg. VIII-2 (PDF pg. 119/166) | “UNEXPENDED BALANCE – means the sum of the unobligated and obligated balances. An unexpended balance is the result of awarded funds not being spent, or when the total expenditures for a project are less than the amount awarded. It can also be defined as the unspent portion of a budgeted amount, available for authorized future expenses.” | We recommend adding “during the award period” to the end of the new definition of “unexpended balance” to avoid confusion and clarify that awardees are still limited by the award period regarding unexpended balances at the end of awards, absent a no-cost extension. |
| 21 | Chapter VIII, Sec. D.1, pg. VIII- (PDF pg. 121/166) | “1. Final Unliquidated Balance NSF has a reversionary interest in the unliquidated balance of an award upon the end date or completion of the award. Based on final payment amounts submitted through ACM\$, the final unliquidated balance will be computed by NSF and de-obligated from the award amount.” | We suggest changing “unliquidated balance” references to “unexpended balance” or explicitly defining “unliquidated balance” in the definitions in Chapter VIII, Sec. B to eliminate potential confusion. |
| 22 | Chapter VIII, Sec. E.6, pg. VIII-8 (PDF pg. 125/166) | “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 |

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| | | | 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.)” |
| 23 | Chapter XII, Sec. C.3, pg. XII-6 (PDF pg. 166/166) | “Possible misconduct in activities funded by NSF should be reported to the Office of the Inspector General, National Science Foundation, 2415 Eisenhower Avenue, Alexandria, VA 22314, (703) 292-7100 or (800) 428-2189 or via e-mail at: oig@nsf.gov .” | We recommend including the website, https://www.nsf.gov/oig/report-fraud/ , in addition to phone number and email in this section, since some individuals may feel more comfortable submitting a complaint anonymously through a web form than in an email or over the phone. |