

2016 NSF Large Facilities Workshop

New Initiatives

Business Roundtable II-III

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Progress on NAPA Recommendations

- Business Practices
 - Cost analysis – supported by NAPA; exceptions documented
 - Contingency – guidance issued
 - **Management fee – analysis in progress**
 - Government Accountability Office (GAO) Guide mandatory
 - Oversight and Planning
 - Roles and responsibilities – Business & Operations Advisory Committee
- Experience, certification, competencies
 - NSF program directors with facility oversight responsibilities
 - Facility project managers

NAPA Recommendation on Mgt. Fee

NAPA Full Report (Note: Mgt. Fee Issue covered on pp. 41 – 47):

http://napawash.org/images/reports/2015/NSF_Phase_2_Comprehensive_Report.pdf

NAPA Report Recommendation 4.3 (pg. 47):

Objective: To eliminate the additional management burdens and potential for funding inappropriate expenses posed by management fee.

- Recommendation: NSF should eliminate the practice of including management fee in cooperative agreements in future projects.
- Implementation Steps: The appropriate BFA office should develop NSF policy clarifying that management fee will no longer be included in federal awards.

Management Fee - NSF Analysis to Date:

- Considered the impact on NSF's ability to continue to partner with academic consortia and other non-profit awardees.
- Took into account OMB citing NSF's management fee policy as a federal best practice.
- Evaluated alternative approaches to cover awardee expenses.
- Sought to incentivize participation in large facility competitions.

Management Fee - Findings:

- Implementation of NSF's new management fee policy in 2015 clarified the appropriate uses of management fee.
- A follow-up review in Spring 2016 confirms that many appropriate uses of management fee are not otherwise reimbursable under the cost principles.
- Allowing organizations to request and receive a fee helps ensure competition among qualified organizations for large facility construction and operations.
- Eliminating management fee would deny awardees the ability to recover ordinary and necessary expenses not otherwise reimbursable.
- NSF will continue to use management fee and complete the analysis of the policy's impacts.

Background – NSF’s Current Mgt. Fee Policy

Context – Development of Current Policy

- Previous to December 2014 – NSF did not have a formal written policy on payment of management fee.
- Fees were understood to be paid for the purpose of awardees covering necessary costs, including “ordinary and necessary” expenses not otherwise covered by the federal cost principles.
- At NSF, management fees were limited to a small group of awardees (approximately seven) involved in construction and operations of large facilities under cooperative agreements.
- Previous NSF practice was to determine the fee amount based on a proposal by the awardee specifying planned uses of fee (e.g., educational outreach, business meals).

Background – NSF’s Current Mgt. Fee Policy

Context – Development of Current Policy

- Agreement on planned use of fee by the awardee was not subsequently verified/enforced – fee was considered as awardee funds above costs and therefore not subject to audit.
- In 2014 – OIG Report raised issue that DCAA review of a NSF awardee’s management fee included such items as alcohol, entertainment, and lobbying.
- NSF accelerated efforts to publish and implement a management fee policy addressing appropriate uses of fee, prohibited uses, and requirements for awardees to verify actual uses during performance.
- A new policy became effective immediately with publication in the Federal Register in December 2014. However, policy was still subject to final revisions based on NSF review of public comments.

Background – NSF’s Current Mgt. Fee Policy

Context – Development of Current Policy

- House Science Committee Hearing in February 2015 was critical of management fee expenses incurred by NSF awardee.
- NSF addressed public comments and issued final policy in June 2015.
- Upon finalization of new policy, provision added to the Terms & Conditions of impacted awards to ensure compliance.
- Awardees receiving management fee were immediately required to comply with requirement to justify planned uses of fee, and to provide available documentation on previous uses of fee.
- Time and resource intensive review completed (July – Sept 2015) to confirm or re-determine fee amounts for current awards.

Background – NSF’s Current Mgt. Fee Policy

Context – Impact on Awardees

- As part of NSF’s evaluation of alternatives, in March 2016 impacted awardees were asked to provide feedback on NSF’s new management fee policy.
- Questionnaire solicited feedback on perceived advantages, disadvantages, administrative burden of the management fee policy, and alternatives or improvements to the policy.
- Questionnaire was forwarded to organizations that currently receive fee under NSF awards.
- Some, but not all of these organizations provided responses to the management fee questionnaire.

Background – NSF’s Current Mgt. Fee Policy

Context – Impact on Awardees

Results from the questionnaire are still being analyzed. Comments include:

- ✓ Importance of fee to organizations in order to efficiently manage awards.
- ✓ Increasing administrative burden and delays in timely determination of fee amounts.
- ✓ Continued ambiguity and risk to organizations in interpreting appropriate fee expenses.
- ✓ Review of individual expenses by NSF results in unreasonable standards for acceptability of management fee expenses.
- ✓ Negative impact on morale by reducing funding of legitimate low-cost but morale-boosting expenses.
- ✓ Disadvantages awardees compared to other organizations receiving substantially higher fees for managing large facility awards under contracts.

Background – Alternate Means of Addressing Expenses

Analyzing Expenses Historically Paid through Fee

- The NSF Divisions of Acquisition and Cooperative Support (DACS) and Institution and Award Support (DIAS) formed a task team to evaluate reasonableness of approach to eliminate management fee by finding other alternatives to address necessary expenses not covered under the cost principles.
- To complete this action, DACS and DIAS reviewed historical use of management fee at NSF using historical actual use information submitted by awardees during the 2015 review conducted as part of the initial implementation of NSF's new management fee policy.
- Since organizations had not been required to keep historical information on use of management fee prior to implementation of NSF's new policy in 2015, available information was in many cases incomplete and did not provide substantive detail on actual use of fee.
- Notwithstanding the ambiguity of available historical information on fee use, some conclusions can be drawn from analyzing historic management fee uses.

Background – Alternate Means of Addressing Expenses

Results and Conclusions based on Analyzing Expenses Historically Paid through Fee

- Data on historic use of management fee was not detailed enough to determine whether expenses could have been instead submitted as appropriate costs under the award.
- Some historic uses of management fee were clearly in violation of NSF's new management fee policy.
- Some historic uses of management fee were clearly in compliance with NSF's new management fee policy (support of educational and public outreach activities, lease cancellation costs, and improvements to child care facilities).
- Some historic uses of management did not contain sufficient detail to determine whether the uses were consistent with NSF's new management fee policy (e.g., travel fees and related costs, employee recruitment and relocation expenses, tuition assistance).