

FACILITIES OVERSIGHT REVIEWS

**National Science Foundation
Budget, Finance and Award Management/
Division of Grants and Agreements**

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Many resources were used in assembling this document: NSF and Federal policies and procedures, Office of Management and Budget Circulars, financial audit guides developed by NSF's Office of Inspector General, and a course on monitoring grants and cooperative agreements developed by Management Concepts. In addition, NSF and University Corporation for Atmospheric Research staff provided valuable comments and suggestions.

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Part 1: Introduction

Throughout its history, the National Science Foundation (NSF) has enjoyed a successful track record of providing state-of-the-art facilities for science and engineering research and education. NSF management and oversight enable not only the establishment of these unique national assets, but also ensure that they continue to serve the science and engineering communities they are intended to benefit through, for example, appropriate and timely upgrades.

NSF's approach to facilities management differs from many R&D agencies in that NSF does not directly construct or operate most of the facilities that it supports. Rather, NSF typically makes awards to external entities, primarily educational institutions and non-profit organizations, to undertake construction and operation of facilities. NSF retains responsibility for overseeing its awardees.

Currently, NSF invests over \$1 billion annually in facilities. Over time, the portfolio of facilities has grown and diversified. In light of the increasing complexity and scope of its facilities, NSF recognizes the need to mitigate risks by integrating its current processes into a next-generation system for overseeing its facilities. This system, introduced in the *Large Facility Projects Management & Oversight Plan*, is designed to ensure not only that a facility is "built right" but also that it is the right facility to build and that it is operated in an efficient and cost-effective manner. The Plan addresses four critical areas, one of which is to implement a systematic and consistently applied program of oversight for all facilities.

NSF will accomplish this through timely review of awardee capability and performance. The goal of these reviews is to fulfill NSF's duty to ensure that its awardees are capable of and in fact are operating efficiently, cost-effectively, and in compliance with NSF and Federal regulations and requirements; to identify potential problems before they become serious and to assist awardees in identifying and implementing workable solutions; to alert NSF to fraud, waste and abuse; and to ensure that public monies are spent properly.

These reviews assess awardee capability, performance and compliance against the applicable elements that make up each award. For example,

- Administrative regulations and public policy requirements;
- Approved proposals, program plans, capital asset and justification plans;
- Special and general terms and conditions, including those contained in the NSF program announcement/solicitation and grant or cooperative agreement; and,
- Award Letter.

This document has been compiled to provide NSF staff with the tools required to practice coordinated and proactive oversight of grants and cooperative agreements to educational institutions and non-profit organizations.¹ Questions and comments may be addressed to Susanne LaFratta, slafratt@nsf.gov, 703/292-4998.

¹ Awards made via contracts have additional and different regulations and requirements. Guidance should be sought from the Division of Contracts, Policy and Oversight.

Part 2: Preparing, Conducting and Reporting

This Part outlines a step-by-step process for preparing, conducting and reporting on reviews.

Each functional area addressed in this instrument is broken into subsections. The first section describes the **Objective** of the review and the standard against which the organization's capability, performance and compliance will be measured, a **Request for Documentation**, and suggested **Desk Review** and **On-Site Review** procedures. In preparing for and conducting reviews, the reviewer should note any **Additional Review** procedures, including additional documents to review and personnel to interview, that he or she plans to or did perform.

To minimize the disruption to the organization being reviewed, this instrument has been designed, to the extent possible, to test each functional area via desk review. Each question in the desk review is designed to elicit a "yes" or "no" response. Unless otherwise noted, if the reviewer can answer "yes" to a given question then additional review is probably not necessary. The reviewer should, of course, use his or her judgment in determining whether on-site review is necessary. Negative answers, on the other hand, may indicate an adverse condition that should be explored; all negative answers must be explained. This combination of desk review and on-site review will afford an opportunity to keep informed of awardee progress and problems; to better understand awardee management; to remedy deficiencies and provide technical assistance; to verify information received in reports; and to determine compliance or noncompliance with the terms and conditions of NSF awards.

The reviewer will develop **Findings** – a conclusion, based on the desk review, the on-site review and any additional review, as to the adequacy of the organization's policies, procedures and practices and a conclusion as to the organization's capability, performance and compliance with respect to the functional area reviewed. Findings should indicate how the organization's policies, procedures and practices differed from what was required, and the potential impact of that difference on the award.

The reviewer, where applicable, should prepare **Suggestions and Recommendations** for either NSF or the organization to implement to correct any deficiencies noted during the review. "Suggestions" are those actions that the reviewer believes, based on his or her experience and best practices, will improve operations. Suggestions are not mandatory. "Recommendations" are actions that the awardee should take in order to be in compliance with an NSF or Federal regulation or requirement. The reviewer should also note any **Best Practices** employed by the organization under review that can be deployed to other Foundation awards.

A file for each review should be established. For each interview, the file should contain the name and title of the person interviewed, the date and time of the interview, the topic discussed and the documentation received. For each document received and reviewed, annotate the document with the title, type (e.g., letter, internal memorandum, report), date and source. An index to the work papers should be created, and each Finding and Suggestion/Recommendation should be cross-referenced to the index.

As a first step, the reviewer, in consultation with the cognizant NSF Program Officer and NSF Grants Officer, should use his or her judgment in determining which functional areas to test. General Management is an overarching consideration that should always be tested. In general,

- ❑ New awardees should have research and education management and each of the business systems tested early in the award period. This will ensure that capability, performance or compliance problems are identified and corrected before they can adversely impact the award.
- ❑ Operational facilities and Federally Funded Research and Development Centers should have research and education management and each of the business systems tested mid-way through the award period. This will ensure that there is sufficient time to identify and correct capability, performance or compliance problems before the NSF Program Officer makes a decision regarding renewal, recompetition or termination of the award.
- ❑ Operational facilities should also have their Operations & Maintenance program reviewed at least once during the award period. This will ensure that the organization is delivering services to the affected research and education community in the most cost-effective and efficient manner possible.
- ❑ Project Management – including assessment of cost, schedule and performance – should be tested at least annually for construction and/or acquisition projects funded through the Major Research Equipment and Facilities Construction (MREFC) account and for MREFC-like, in terms of cost and complexity, projects.

Part 3 contains detailed instruments to test capability, performance and compliance in various functional areas.² However, not every section, nor every requirement within a section, will apply to every award. Here again, the reviewer, in consultation with the cognizant NSF Program Officer and NSF Grants Officer and through review of award documentation, should adapt the instruments to reflect the requirements applicable to *this* review of *this* award; the text for areas that require adaptation is indicated by **blue, bold, bracketed** text; e.g., **[text to be adapted]**.

² The instruments contained herein are not intended to perform financial statement or cost-incurred audits, but rather to measure capability, performance and compliance for the benefit of the NSF and its awardees. Thus, the emphasis is on the existence of proper policies and procedures and the awardees' familiarity with them. Although some transaction testing is recommended, extensive testing is not expected or encouraged. In addition, participant support costs, program income and cost sharing are not addressed in this document. Awards with significant activity in these areas may need to be reviewed by other means.

Step-by-Step Guide for Preparing, Conduct and Reporting

PRE-REVIEW	
- 8 weeks	<p>Awardee is due to be reviewed or a review is requested by the cognizant NSF Program Officer, Grants Officer, DFM or DAS.</p> <p>Discuss the review with the cognizant NSF Program Officer. Discuss the organization's performance and determine whether there are any areas of concern from his/her perspective that warrant further review during the desk or on-site portion of the review.</p> <p>For example,</p> <ul style="list-style-type: none"> <input type="checkbox"/> How well does the project, as implemented, reflect the goals, objectives, activities and services described in the proposal? <input type="checkbox"/> Document when reports (e.g., financial status, progress and closeout) are due and determine whether they are received when due. <input type="checkbox"/> Are the reports complete in that they contain comparison of actual accomplishments versus original objectives, reasons why objectives were not met (if appropriate), analysis or explanation of cost overruns (where appropriate) and any additional pertinent information? <ul style="list-style-type: none"> <input type="checkbox"/> Note that any of the following may indicate a problem and, if present, should be fully investigated first at the desk review stage and, if necessary, during the on-site review stage: <ul style="list-style-type: none"> <input type="checkbox"/> key personnel with reduced effort; <input type="checkbox"/> unreasonably slow progress; <input type="checkbox"/> major rebudgeting; <input type="checkbox"/> rebudgeting funds with a restricted purpose; and, <input type="checkbox"/> pursuing a project outside the scope approved for the award. <input type="checkbox"/> Are there any risks associated with this organization? <input type="checkbox"/> Is management responsive to problems? <p>Discuss the review with the cognizant NSF Grants Officer. Discuss the organization's performance and determine whether there are any areas of concern from his/her perspective that warrant further review during the desk or on-site portion of the review.</p> <p>Meet with the Division of Financial Management to discuss the organization's performance with respect to financial reporting and determine whether there are any areas of concern from his/her perspective that warrant further review during the desk or on-site portion of the review.</p> <p>Meet with the Division of Administrative Services to discuss the organization's performance with respect to property reporting and determine whether there are any areas of concern from his/her perspective that warrant further review during the desk or on-site portion of the review.</p> <p>If NSF is not the cognizant agency, contact the cognizant agency to discuss the organization's performance and determine whether there are any areas of concern from its perspective that warrant further review during the desk or on-site portion of the review.</p> <p>Select the functional areas to review:</p> <ul style="list-style-type: none"> <input type="checkbox"/> General Management <input type="checkbox"/> Research and Education Management <input type="checkbox"/> Business Systems <ul style="list-style-type: none"> <input type="checkbox"/> Budget and Finance <input type="checkbox"/> Human Resources <input type="checkbox"/> Property <input type="checkbox"/> Procurement <input type="checkbox"/> Information Technology <input type="checkbox"/> Operations & Maintenance <input type="checkbox"/> Project Management

	Identify additional team members.
	Complete Review Cover Sheet per Figure 1.
	Notify awardee, via telephone, of intent to review and schedule dates for on-site review.
- 7 ⇒ - 6 weeks	Confirm on-site review dates with awardee via Letter 1.
	Assemble applicable award documentation: announcement or solicitation; proposal, program plan, capital asset and justification plan; grant or cooperative agreement and any applicable conditions; award letter and any amendments or modifications thereto; budgets (amounts by categories of expense); and DRB and/or NSB review.
	Review award documentation to ensure it is neither ineffective nor burdensome.
	For example, <ul style="list-style-type: none"> <input type="checkbox"/> Are all essential terms and conditions included? E.g., reporting; renewal, recompetition and/or termination. <input type="checkbox"/> Are all requirements reasonable?
	Review award documentation and note any special terms and conditions that could impact the review.
	Modify instruments per interviews and award documentation review.
- 6 ⇒ - 4 weeks	Request for documentation and information from awardee via Letter 2.
	Continue interviews and reviews as required.
	Airline, rental car and hotel reservations.
- 4 weeks	Receipt of documentation and information from awardee.
- 4 ⇒ - 2 weeks	Review of documentation and information submitted by awardee.
- 2 weeks	Request additional documentation and information required from review of material submitted by awardee.
- 2 ⇒ - 1 week	Modify instruments per review of documentation and information submitted by awardee.
- 1 ⇒ 0 weeks	NSF Team meets to discuss logistics and develop Entrance Conference Agenda per Figure 2.
ON-SITE REVIEW	
Day 1	Entrance Conference between NSF Team and awardee.
Days 2 – 4	Conduct review. NSF Team meets in Executive Session to discuss issues and develop Exit Conference Agenda per Figure 3.
Day 5	Exit Conference between NSF Team and awardee.
POST-REVIEW	
+ 1 week	Thank awardee via Letter 3. NSF Team meets to discuss on-site review and finalize report writing assignments per report outline shown in Figure 4.
+ 2 weeks	Discussion Draft due.
+ 3 weeks	Team Leader reviews and edits Discussion Draft and submits to NSF management.
+ 4 weeks	Team Leader incorporates NSF management’s comments. Discussion Draft transmitted to awardee via Letter 4.
+ 5 weeks	Team Leader incorporates awardee’s comments. Formal Draft transmitted to NSF management and awardee via Letter 5.
+ 7 weeks	Awardee’s response to Formal Draft and Corrective Action Plan due.
+ 8 weeks	Corrective Action Plan entered into tracking database. Final Report issued and transmitted to awardee via Letter 6.

Figure 1
Review Cover Sheet

The Review Cover Sheet gives pertinent information related to the organization and the review. Background Data and Award Data can be completed prior to beginning a review, while the remainder of the data will become known only as the review progresses.

***** Background Data *****	
Organization Name: _____	
Address: _____	
City, State, Zip: _____	
Point of Contact Name and Title: _____	
Phone: _____ Fax: _____ E-mail: _____	
Organization Type:	<input type="checkbox"/> Educational Institution
	<input type="checkbox"/> Non-profit Organization
Description of Service/Product: _____	
***** Award Data *****	
Award Number: _____	Award Period: _____
Award Amount, Total: _____	Award Expended, Total: _____
Award Amount, Year 1: _____	Expended, Year 1: _____
Award Amount, Year 2: _____	Expended, Year 2: _____
Award Amount, Year 3: _____	Expended, Year 3: _____
Award Amount, Year 4: _____	Expended, Year 4: _____
Award Amount, Year 5: _____	Expended, Year 5: _____

***** **Audit/Review Data** *****

Prior Audits/Reviews: A-133
 Incurred Cost
 Property
 Other _____

Date of Last Audit/Review: _____ Audit Agency/Firm: _____

Explain Reported Findings: _____

Explain Unresolved Recommendations: _____

***** **Financial Statement Audit Data** *****

Date of Last Financial Statement Audit: _____

Fiscal Period Audited: _____ Audit Firm: _____

Auditor's Opinion on Financial Statements Qualified: Yes No

Explain Qualified Opinion: _____

Explain Unresolved Recommendations: _____

***** Interview Data-Program Officer *****

Program Officer: _____ Interview Date: _____

How well does the project, as implemented, reflect the goals, objectives, activities and services described in the proposal? _____

Financial Status Report(s) Due: _____ Received on Time? _____

Progress Report(s) Due: _____ Received on Time? _____

- Comparison of actual to planned accomplishments? Yes No
- Reasons why objectives were not met? Yes No
- Explanation of cost overruns? Yes No

Risks associated with this organization: _____

Is management responsive to problems? Yes No

***** Interview Data-DGA, DFM and DAS *****

Grants Officer: _____ Interview Date: _____

Areas of concern: _____

DFM: _____ Interview Date: _____

Areas of concern: _____

DAS: _____ Interview Date: _____

Areas of concern: _____

***** **Review Data** *****

Review Number: _____

Reviewer(s): _____

Letter 1 Date: _____ Letter 2 Date: _____

On-Site Dates: _____

Areas Reviewed: General Management
 Research and Education Management
 Budget and Finance
 Human Resources
 Property
 Procurement
 Information Technology
 Operations & Maintenance
 Project Management
 Other _____

Discussion Draft Date: _____ Distribution: _____

Formal Draft Date: _____ Distribution: _____

Final Report Date: _____ Distribution: _____

***** **Review Certification** *****

Recommendations reviewed and endorsed by NSF management.

Name: _____ Date: _____

NSF and organization agree on Corrective Action Plan.

Name: _____ Date: _____

Corrective Action Plan entered in Review Tracking System.

Name: _____ Date: _____

Reviewer Signature

Letter 1

Confirm On-Site Review Dates

[date]

[awardee name and address]

Dear [awardee]:

This letter confirms that the Office of Budget, Finance and Award Management's Division of Grants and Agreements will conduct a review of the systems used by the [awardee] to manage [award number]. The [typically 3 or 5 days, depending on complexity]-day site visit is scheduled to begin with an entrance conference at [time] on [day, date]. An exit conference is planned for [time] on [day, date].

The purpose of this review is to evaluate the effectiveness and efficiency with which [awardee] manages the Federal funds awarded by NSF and to assess compliance with NSF and Federal regulations and requirements. The review will focus on testing capability, performance, compliance and supporting documentation for the following areas [include only those that apply]:

- General Management
- Research and Education Management
- Business Systems
 - Budget and Finance
 - Human Resources
 - Property
 - Procurement
 - Information Technology
- Operations & Maintenance
- Project Management.

In approximately one week you will receive a list of the NSF personnel expected to participate in this review, a list of the [awardee] personnel that should be available for interviews during the site visit, and a request for documentation to be provided prior to our arrival.

Please confirm that the dates selected for the site visit are acceptable to your organization and provide the name and contact person that will serve as your organization's point of contact for this review. Contact me if you have any questions or concerns regarding this review.

Sincerely,

[name, title, phone, e-mail]

cc: [Program Officer];Tom Cooley,BFA;Mary Santonastasso,DGA:[Grants Officer];[Team]

Letter 2

Request for Documentation and Information

[date]

[awardee name and address]

Dear [awardee]:

This letter is to confirm arrangements and to request documentation in preparation for the NSF review described in my letter dated [Letter 1 date]. The entrance conference for this review is scheduled for [time] on [day, date]. Immediately following the entrance conference we would like to have an overview of [awardee] and a tour of the [laboratory, facility, etc.] associated with this review. The exit conference is tentatively scheduled for [time] on [day, date]. Attendance at these conferences will include the NSF personnel and anyone from your organization that you would like to invite.

The NSF personnel that will participate in the review are listed on **Attachment 1**. Please ensure that their counterparts in your organization are available for discussion and review of policies, procedures, practices and supporting documentation.

Please forward the materials outlined in **Attachment 2** to me by [date + 2 weeks]. Alternatively, for documents that are available via the Internet, provide an address and, if required, a password to access the documents.

Susanne M. LaFratta
Facilities Management and Oversight Advisor
BFA/DGA, MS 480.04
National Science Foundation
4201 Wilson Boulevard
Arlington, VA 22230

Early receipt of these materials will expedite the review process and ensure minimum inconvenience and disruption to your staff during the review. However, the request is for materials that are easily attainable or already existing; do not spend a significant amount of time preparing reports or gathering data that are not readily available.

Following receipt and review of this material, additional documents may be requested either prior to or upon our arrival. In addition, where practicable, advance notice of transactions to be sampled during the on-site portion of the review will be forwarded to you prior to our arrival.

We would very much appreciate it if you could provide a separate room or office for us to use as a base of operations during our review. A telephone, telephone directory, and access to a facsimile machine and photocopier (along with any special instructions for billing purposes) would be appreciated as well.

Please telephone me as soon as possible if you have any questions about these arrangements or the request for documentation. We are looking forward to working with [awardee] on this review.

Sincerely,

[name, title, phone, e-mail]

cc: NSF Personnel per Attachment 1

NSF PERSONNEL

Observers

[name, title]

Reviewers

[name, title]

[add examples]

FUNCTIONAL AREA	DOCUMENT
General Management	<ol style="list-style-type: none"> 1. Provide an official or published statement of the purpose of your organization and of the powers that have been granted to it to enter into contractual relationships and/or accept awards (e.g., articles of incorporation, by-laws). 2. Organization chart reflecting the structure of your organization and the names, titles, duties and responsibilities of personnel in each of the functional areas; e.g., [general management, research and education management; budget and finance; human resources; property; procurement; information technology; operations and maintenance; project management]. 3. Copies of policies and procedures related to your organization's ethics program (e.g., standards of conduct, conflict of interest). 4. Copies of any policies and procedures, handbooks, manuals, etc. employed by your organization to comply with the requirements of the cooperative agreement with NSF that are not provided in connection with the Budget and Finance, Human Resources, Property, Procurement, Information Technology, Operations & Maintenance, and Project Management functions. 5. Copies of any reports of site visits and internal and external audits (include A-133 audit reports and copies of issues provided to management in separate correspondence) associated with the Budget and Finance, Human Resources, Property, Procurement, Information Technology, Operations & Maintenance, and Project Management functions conducted by NSF or other Federal agencies during the last two years; if recommendations were made in these reports that have not yet been resolved, provide an explanation. 6. Description of advisory boards or committees used by your organization for advisement or oversight, including what control these bodies have, how often they meet, and a list of members with affiliations.
Research and Education Management	<ol style="list-style-type: none"> 1. Copies of procedures detailing the method used to fund researchers, visiting scientists and/or students with NSF funds; e.g., is merit reviewed used? 2. If there is equipment or instrumentation available to external users, describe how user time is allocated. 3. If there is a user fee for equipment or instrumentation, describe how fees are determined. 4. Name of the current Principal Investigator and any Key Personnel.
Budget and Finance	<ol style="list-style-type: none"> 1. Organization-wide flowchart summarizing the manual and computerized processing of transactions from origination through the payment process, ultimately ending in charges to the Government. Include the personnel involved and the documents generated. If applicable, identify any changes in the systems or processing implemented since the last review. 2. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the budget and finance function; include a description of the internal control procedures and reports generated. 3. Provide a copy of the policies and procedures employed by your organization to develop realistic and consistent budgets and estimates. If there are no written policies and procedures, provide a description of how the organization develops realistic and consistent budget and estimates. 4. Copy of the chart of accounts used by your organization and a summary of costs claimed, by expense category, for all funds expended through the NSF [grant, cooperative agreement] for the most recently completed accounting year. 5. List of accounting transactions from the General Ledger related to the NSF [grant, cooperative agreement] for a one-month period. From this list, a sample of transactions to be reviewed on-site will be selected and supplied in advance of the review.

Attachment 2 (continued)

Human Resources	<ol style="list-style-type: none"> 1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the human resources function; include information related to recruitment and advancement, applicant screening, compensation, employee benefits and services, performance management, employee recognition, employee training and development, and employee relations and employee assistance. 2. Copy of the organization’s Form 5500 Filings for the last three years. 3. Copy of Benefits Plan Documents. 4. Copy of Summary Plan Descriptions. 5. Indicate the type of retirement plan, if any, offered by your organization: Defined Contribution or Defined Benefit? <ol style="list-style-type: none"> a. If Defined Contribution, provide copies of payment documentation. b. If Defined Benefit, provide a copy of the plan valuation and a copy of the PBGC-1 (Pension Benefit Guaranty Corp). 6. Indicate the tests that the organization performs to ensure that its retirement plan is qualified. 7. List of the benefits available to your employees and indicate whether they are available to all employees; if not, indicate which benefits are available to which class of employee. 8. Explain how employees in your organization are made aware of their benefits and of the services provided by the human resources function. 9. If the organization sponsors J-1 and H-1 visa holders, provide a copy of the procedures used to ensure compliance with the employer’s responsibilities. 10. Copy of the organization’s affirmative action plan. 11. Indicate whether Adverse Impact Analyses have been performed and, if so, provide an explanation of the method and results. 12. Provide an explanation for how the organization determines exempt and non-exempt status.
Property	<ol style="list-style-type: none"> 1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage Federal property; include information related to acquisition and disposition, inventory and recordkeeping, security and maintenance practices. 2. Copies of the two most recent NSF Form 1408’s (“NSF Property in the Custody of Awardees”) with a copy of the inventory.
Procurement	<ol style="list-style-type: none"> 1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the procurement function. 2. Describe the delegations from general management to procurement management to procurement staff, the dollar threshold for each delegation and the internal controls in place to ensure the delegations are not exceeded or used without authority. 3. List of subawards, subcontracts and purchase orders awarded for the most recently completed accounting year. From this list, a sample of files to be reviewed will be made and supplied in advance of the review.
Information Technology	<ol style="list-style-type: none"> 1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the IT function, including all aspects of applications, network and physical security. 2. Copy of the contingency/disaster recovery plan, date of last update, date of last test, and test results.
Operations & Maintenance	<input type="checkbox"/>
Project Management	<input type="checkbox"/>

Figure 2

Entrance Conference Agenda

1. Attendance List
2. The NSF Team Leader introduces the NSF observers and reviewers and asks the organization's representative to do the same.
3. The NSF Team Leader outlines the broad objectives of the review (capability; performance; compliance) and the functional areas to be reviewed.
4. The NSF Team Leader discusses the schedule for the remainder of the on-site portion of the review and for completing discussion and formal drafts as well as the final report.
5. Each reviewer gives a brief summary of their impressions to date (i.e., the results of the desk review), issues they intend to follow-up on, additional documentation required, personnel to interview, and their plan for the remainder of the on-site portion of the review.
6. The NSF Team Leader informs the organization that it is expected to advise NSF of its issues, too.
7. Logistics, such as office space, telephone and fax numbers, lunch and dinner, etc. are also discussed.
8. Tour

Figure 3

Exit Conference Agenda

1. Attendance List
2. Introductions
3. Each reviewer advises the organization of preliminary findings and recommendations in his or her area such as questioned costs, weaknesses in the internal control structure of the organization, compliance issues, and good things.
4. Organization representatives are asked for comments, impressions, etc.
5. The NSF Team Leader thanks the organization and reiterates the schedule and process for draft and final reports.

Letter 3

Thank You

[date]

[awardee name and address]

Dear [awardee]:

I would like to thank you for the time and the obvious effort expended by you and your staff during the National Science Foundation's recent review. The NSF group was impressed with the ambitious and successful efforts to institute best practices throughout your organization. It is good to know that we have such talented and dedicated people supporting NSF's research and education goals.

The practices developed by [awardee] will assist us in our efforts to ensure the efficient and effective management of all of NSF's awardees. I am sure that there will be many more opportunities to share lessons learned and I am very much looking forward to continuing this productive partnership with you.

As we discussed at the exit conference, a discussion draft for your comment will be forwarded to you on [+1 week].

Please do not hesitate to contact me if there are any issues you would like to discuss or if I may be of any assistance.

Sincerely,

[name, title, phone, e-mail]

cc:[Program Officer];Tom Cooley,BFA; Mary Santonastasso,DGA;[Grants Officer];[Team]

Figure 4
Report Outline

Each reviewer will prepare a written report of his or her findings, suggestions and recommendations for the portion of the review for which they were responsible. Each section of the report will be coordinated and compiled with the reports from other reviewers by the Team Leader.

I. Introduction

A. Background

Information about the organization and the purpose of the award.

Award Data from Figure 1

B. Purpose of the Review

C. Methodology

Include Persons Interviewed, Reviewers and Observers, On-Site Review Dates

II. Findings

A. General Management

B. Research and Education Management

C. Business Systems

Budget and Finance

Human Resources

Property

Procurement

Information Technology

D. Operations & Maintenance

E. Project Management

IV. Suggestions and Recommendations

V. Best Practices

Letter 4

Transmittal – Discussion Draft

[date]

[awardee name and address]

Dear [awardee]:

Enclosed is a copy of the discussion draft resulting from NSF's recent review of your organization.

We would appreciate receiving any comments you would like us to consider prior to issuing the formal draft by [+1 week].

Please do not hesitate to contact me if there are any issues you would like to discuss or if I may be of any assistance. Thank you, once again, for your cooperation throughout this process.

Sincerely,

[name, title, phone, e-mail]

cc:[Program Officer];Tom Cooley,BFA;Mary Santonastasso,DGA;[Grants Officer];[Team]

Letter 5

Transmittal – Formal Draft

[date]

[awardee name and address]

Dear [awardee]:

Enclosed is a copy of the formal draft resulting from NSF's recent review of your organization.

[We would appreciate receiving your response to this report by [+2 weeks]. Your response should include a Corrective Action Plan that indicates your plans for implementing the recommendations and correcting any deficiencies noted. A copy of your response will be appended to the final report.

OR

This report is being provided for your information only, and no further action on your part is required.]

Please do not hesitate to contact me if there are any issues you would like to discuss or if I may be of any assistance. Thank you, once again, for your cooperation throughout this process.

Sincerely,

[name, title, phone, e-mail]

cc:[Program Officer];Tom Cooley,BFA;Mary Santonastasso,DGA;[Grants Officer];[Team]

Letter 6
Transmittal – Final Report

[date]

[awardee name and address]

Dear [awardee]:

Enclosed is a copy of the final report resulting from NSF's recent review of your organization.

Please provide quarterly updates of progress you have made toward completing the Corrective Action Plan developed by your organization and approved by NSF.

We appreciate the cooperation extended us by [awardee] and your staff throughout this process, and look forward to continuing the productive partnership we have initiated.

Please do not hesitate to contact me if there are any issues you would like to discuss or if I may be of any assistance.

Sincerely,

[name, title, phone, e-mail]

cc:[Program Officer];Tom Cooley,BFA;Mary Santonastasso,DGA;[Grants Officer];[Team]

Part 3: Instruments

I. General Management

A. Objective

This section reviews and assesses all activities related to the general management of the organization. The organization should have in place a structure that enables the efficient and effective performance of the award and that ensures compliance with regulations and requirements established by NSF and the Federal Government.

B. Request for Documentation

1. Provide an official or published statement of the purpose of your organization and of the powers that have been granted to it to enter into contractual relationships and/or accept awards (e.g., articles of incorporation, by-laws).
2. Organization chart reflecting the structure of your organization and the names, titles, duties and responsibilities of personnel in each of the functional areas; e.g., **[general management, research and education management; budget and finance; human resources; property; procurement; information technology; operations and maintenance; project management]**.
3. Copies of policies and procedures related to your organization's ethics program (e.g., standards of conduct, conflict of interest).
4. Copies of any policies and procedures, handbooks, manuals, etc. employed by your organization to comply with the requirements of the cooperative agreement with NSF that are not provided in connection with the Budget and Finance, Human Resources, Property, Procurement, Information Technology, Operations & Maintenance, and Project Management functions.
5. Copies of any reports of site visits and internal and external audits (include A-133 audit reports and copies of issues provided to management in separate correspondence) associated with the Budget and Finance, Human Resources, Property, Procurement, Information Technology, Operations & Maintenance, and Project Management functions conducted by NSF or other Federal agencies during the last two years; if recommendations were made in these reports that have not yet been resolved, provide an explanation.
6. Description of advisory boards or committees used by your organization for advisement or oversight, including what control these bodies have, how often they meet, and a list of members with affiliations.

C. Desk Review

1. Review the documentation/information provided to determine whether the organization has in place a structure that enables the efficient and effective performance of the award and that ensures compliance with regulations and requirements established by NSF and the Federal Government.

For example,

- a. Does the purpose of the organization and the powers that have been granted to it to enter into contractual relationships and/or accept awards raise any issues that should be explored with the Program Officer or Grants Officer?
- b. Regarding the organization chart ...
 1. Does the organization chart define the management functions?
 2. Are clear lines of authority and responsibility delineated?
 3. Is it clear what each position does and the need for the position?
- c. Is there an internal audit function and, if so, is it sufficiently independent from management to constructively challenge management's decisions? For example, does the function report to the organization's equivalent of a Chief Executive Officer?
- d. Is there a legal function and, if so, is it sufficiently independent from management to constructively challenge management's decisions? For example, does the function report to the organization's equivalent of a Chief Executive Officer?
- e. Regarding the organization's standards of conduct ...
 1. Does the organization have policies and procedures that prohibit the solicitation and acceptance of gratuities, favors or anything of monetary value from contractors or parties to subagreements and that provides for disciplinary actions for violations? Note that the policy may set thresholds for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.
 2. How are the policies and procedures communicated to employees?
 3. Do employees formally acknowledge receipt of the policies and procedures?

4. How does the organization ensure that employees receive and understand this information?
- f. Regarding the organization's conflict of interest policy (required if the organization employs 50 or more people; GPM 510),
1. Is it a written and enforced policy that requires each investigator to disclose to the organization all significant financial interests?
 2. Is the disclosure updated annually or as new reportable significant financial interests are obtained?
 3. Are one or more persons designated to review financial disclosures and determine what conditions or restrictions, if any, should be imposed by the organization to manage, reduce or eliminate the conflict of interest?
 4. Does the policy include adequate enforcement mechanisms and provide for sanctions where appropriate?
 5. Does the policy include arrangements for keeping NSF's Office of General Counsel appropriately informed if the organization finds that it is unable to satisfactorily manage a conflict of interest?
 6. Is the organization aware that records must be retained for three years beyond the termination or completion of the award to which they relate, or until the resolution of any NSF action involving those records, whichever is longer?
- g. Regarding A-133 audits ...

State and local governments and non-profit organizations that expend \$300,000 or more in a year in Federal awards are required to engage an independent audit firm to conduct a single or program-specific audit of its activities for that year.

The A-133 audit assesses the organization's financial statements and internal controls.

1. If the organization is required to have an A-133 audit performed, did the organization have an A-133 audit performed?

If yes, review the report and determine whether there are any instances of noncompliance, questioned costs, fraud, abuse or illegal acts that remain unresolved.

If no, additional or different review work may need to be done; seek guidance from _____.

- h. Regarding reports of site visits and internal and external audits ...
 - 1. Were any adverse conditions reported?
 - 2. Are there any unresolved recommendations?
- i. Regarding the organization's advisory boards or committees ...
 - 1. Are they sufficiently independent from management to constructively challenge management's decisions and act effectively?
 - 2. Do they meet at least annually?
 - 3. Are they professionally diverse?

D. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any "NO" or "UNKNOWN" answers resulting from the Desk Review.
3. Interview personnel involved in general management to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with regulations and requirements established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?
6. Review reports issued by the internal audit function and management's response to determine if management promptly resolves all issues.
7. Review minutes of any advisory boards or committees to determine if they are taking an active role in significant management decisions.

8. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.
9. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

- a. Does management regularly conduct financial analysis and monitor financial performance?
 - b. Does management regularly conduct progress analysis and monitor progress performance?
10. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?
 11. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?
 12. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?
 13. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.
 14. What gets in the way of doing your job or is not worth the effort involved?
 15. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.
 16. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.

17. Prior Approvals.

Certain postaward changes in budgets and scope require the prior written approval of NSF. Interview personnel to determine whether any of the changes noted below occurred and, if so, whether prior written approval was sought from NSF.

Prior Approval Requirements for Educational Institutions and Nonprofit Organizations

[review to mirror NSF’s prior approval requirements]

Construction Award	Nonconstruction Award	Combined Award
Revision results from changes in the scope or objective of the project or program.	Change in the scope or objective of the project or program.	REQUIREMENT IMPLIED
	Change in a key person specified in the proposal, program plan or award.	
	The absence for more than three months, or a 25% reduction in time devoted to the project or program, by the approved project director or principal investigator.	
The need arises for additional Federal funds to complete the project or program.	The need arises for additional Federal funds to complete the project or program.	REQUIREMENT IMPLIED
A revision is desired which involves specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles.	The inclusion, unless waived by NSF, of costs that require prior written approval in accordance with OMB Circular A-21 (educational institutions) or A-122 (nonprofit organizations).	REQUIREMENT IMPLIED
	The transfer of funds allotted for training allowances (direct payments to trainees) to other categories of expense.	
	Unless described in the proposal, program plan or award, the subaward, transfer or contracting out of any work under an award.	NSF may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the Federal share of the project exceeds \$100,000 and the cumulative amount of such transfer exceeds or is expected to exceed 10 percent of the total budget as last approved by NSF. NSF may not permit a transfer that would cause any Federal appropriation or part thereof to be used for purposes other than those consistent with the original intent of the appropriation.
		Any fund or budget transfers between the two types of work.

II. Research and Education Management

A. Objective

This section reviews and assesses all activities related to the management of research and education at the organization. The organization should have in place a management structure that enables the efficient and effective performance of the research and education funded by NSF.

B. Request for Documentation

1. Copies of procedures detailing the method used to fund researchers, visiting scientists and/or students with NSF funds; e.g., is merit reviewed used?
2. If there is equipment or instrumentation available to external users, describe how user time is allocated.
3. If there is a user fee for equipment or instrumentation, describe how fees are determined.
4. Name of the current Principal Investigator and any Key Personnel.

C. Desk Review

1. Review the documentation/information provided to determine whether the organization has in place a management structure that enables the efficient and effective performance of the research and education funded by NSF.
2. Does the organization fund researchers, visiting scientists and/or students according to a merit-based review process?
3. Are independent reviewers used?
4. Are advisory board or committee members eligible to receive funding through your organization?

D. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.

3. Interview personnel involved in research and education management to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with regulations and requirements established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?
6. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.
7. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

- a. Does management regularly conduct financial analysis and monitor financial performance?
- b. Does management regularly conduct progress analysis and monitor progress performance?
8. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?
9. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?
10. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?
11. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.
12. What gets in the way of doing your job or is not worth the effort involved?

13. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.
14. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.
15. Does research and education “drive” management and business systems?
16. Do you have the tools you need to conduct research and education?
17. Are you provided with user-friendly systems and reports?
18. How are organization policies and procedures conveyed to you ... brown bag lunches? orientations? manuals?
19. What do you need from NSF, and what can NSF do to help?
20. If the organization allocates user time, on what basis is the allocation made?
 - a. If by proposal, review the record for the past year to ensure that a merit-based process was followed.
 - b. If by investment, review the record for the past year to ensure the allocation matched the investment.
21. If the organization charges a user fee,
 - a. How is the fee determined?
 - b. Does the organization structure the fee to “break-even”? If not, obtain a schedule of expenses and fees received.
 - c. Does the organization charge all users a fee?

The agency that funded the instrumentation or equipment should not be charged a fee.
 - d. Does the organization charge all users the same fee and, if not, obtain a schedule of fees.

Federal users should be charged the same or less than any other users.

III. Budget and Finance

A. Objective

This section reviews and assesses all activities related to the budget and finance systems of an organization and includes a review of the accounting policies and procedures and a sampling of transactions to check for accuracy and completeness.

The organization should have a system that provides for the following:

- Accurate and complete disclosure of the financial results of Federal awards;
- Records that identify the source and application of funds;
- Effective control over and accountability for all funds, property and other assets;
- Comparison of outlays with budget amounts;
- Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the use of those funds by the recipient for program purposes;
- Written procedures for determining the reasonableness, allocability and allowability of costs; and,
- Accounting records that are supported by source documentation.

The Budget and Finance review is organized in four sections:

- C.1. Organizational Issues
- C.2. Estimating/Budgeting
- C.3. Finance
- C.4. Testing

B. Request for Documentation

1. Organization-wide flowchart summarizing the manual and computerized processing of transactions from origination through the payment process, ultimately ending in charges to the Government. Include the personnel involved and the documents generated. If applicable, identify any changes in the systems or processing implemented since the last review.
2. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the budget and finance function; include a description of the internal control procedures and reports generated.
3. Provide a copy of the policies and procedures employed by your organization to develop realistic and consistent budgets and estimates. If there are no written policies and procedures, provide a description of how the organization develops realistic and consistent budget and estimates.

4. Copy of the chart of accounts used by your organization and a summary of costs claimed, by expense category, for all funds expended through the NSF [grant, cooperative agreement] for the most recently completed accounting year.
5. List of accounting transactions from the General Ledger related to the NSF [grant, cooperative agreement] for a one-month period. From this list, a sample of transactions to be reviewed on-site will be selected and supplied in advance of the review.

C.1. Organizational Issues

A. Desk Review

1. Regarding the organization chart requested under General Management ...
 - a. Does the organization chart define the management functions?
 - b. Are there lines of authority and responsibility delineated?
 - c. Is it clear what each position does and the need for the position?
2. Regarding the flowchart ...
 - a. Is it clear what each process accomplishes and the necessity for each process?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
3. Interview personnel involved in budget and finance to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with regulations and requirements established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).

5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?
6. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.
7. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

- a. Does management regularly conduct financial analysis and monitor financial performance?
- b. Does management regularly conduct progress analysis and monitor progress performance?
8. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?
9. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?
10. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?
11. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.
12. What gets in the way of doing your job or is not worth the effort involved?
13. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.
14. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.

C.2. Estimating/Budgeting

A. Desk Review

1. Review the documentation provided to determine whether the organization has a method for developing realistic and consistent estimates/budgets.

For example,

- a. Does the organization achieve realistic estimates/budgets through the use of actual costs, historical data, standard rates (MEANS for estimating construction, EPS for estimating maintenance, repair and alteration) and/or surveys?
- b. Does the organization use personal experience to develop estimates/budgets?
- c. Does the organization include allowances in its estimates/budgets for known and documented delays or irregularities? Are the allowances periodically reviewed and updated?
- d. Does the organization have a trained estimating team? Does the organization have estimates prepared or reviewed by an independent group?
- e. Does the organization periodically compare estimated/budgeted costs to actual costs in order to update estimates/budgets?
- f. Does the organization achieve consistent estimates/budgets by treating like costs in a like manner?
- g. Does the organization have a central point of review that ensures that like costs are treated in a like manner?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.

3. Interview personnel involved in the estimating/budgeting process to determine whether they are knowledgeable about and in compliance with the method employed by the organization to develop realistic and consistent estimates/budgets.
4. Where differences in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Review the estimate/budget for the NSF award and the documentation supporting the estimate/budget to determine whether the estimate/budget is sufficiently supported.
6. Review estimate/budget to actual costs for the NSF award to determine whether the method used by the organization to develop the estimate/budget resulted in a realistic estimate/budget. Where differences in estimate/budget versus actual costs exist, determine the reason for the deviation.

C.3. Finance

A. Desk Review

1. Review the documentation provided to determine whether the organization has written procedures.
2. Do the procedures provide for accurate and complete disclosure of the financial results of Federal awards?
 - a. Verify that the organization maintains a current description of the accounting system, including books of original entry, general and subsidiary ledgers, and any statistical and/or supporting records which demonstrate the initiation of transactions, flow of documents, and the identification of all points where correcting, adjusting or other cost transfers can be entered into the system.
 - b. Verify that adequate procedures exist for approving and documenting, correcting, adjusting, closing, credit and transfer entries and for reconciling all subsidiary cost ledgers and cost objectives to the general ledger accounts.
 - c. Verify that transactions are recorded in a timely manner.
3. Do the organization's records identify the source and application of funds?

4. Does the organization have effective control over and accountability for all funds, property and other assets?
 - a. Is there adequate segregation of duties in areas such as access to accounting records, check-signing authority, responsibility for making deposits, posting cash receipts to the books of account, disbursements in cash journal and performance of bank reconciliations?
 - b. Are employees involved in recordkeeping or custody of assets or in some other position of trust adequately bonded?
5. Does the organization have written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the use of those funds by the recipient for program purposes?
6. Does the organization have written procedures for determining the reasonableness, allocability and allowability of costs?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
3. Interview personnel involved in the finance process to determine whether they are knowledgeable about and in compliance with the procedures employed by the organization.
4. Where differences in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).

C.4. Testing

1. From the _____ obtained in _____ above, trace the amounts reported to the organization’s system of record.
2. Select one or two payments from the NSF payments schedule (?) and ensure that payments have been properly recorded in the organization’s system of record.

3. From the General Ledger obtained in _____ above, select a sample of transactions to test.
 - a. The reviewer should, considering the annual funding received by the organization and using his or her judgment, set a threshold for materiality (e.g., >\$25K, >\$50K, >\$75K or >\$100K). Only transactions above the threshold for materiality will be selected for testing.
 - b. The reviewer should select a random sample of transactions that exceed the threshold for materiality and that represent the various categories of expense (e.g., travel, consultants). The sample should represent 20% of the number of transactions and the value of transactions contained in the General Ledger and should include some transactions that are automatically generated (e.g., fringe benefits).

4. Testing Procedures

In general, the reviewer should ensure that the selected expenditures were:

- contemplated in the approved or amended budget;
 - supported by adequate source documentation
 - date stamps indicate item was ordered before recv'd/paid after recv'd,
 - signer had authority on that date/at that level;
 - reasonable;
 - allowable **[reference OMB cost principles]**; and,
 - properly allocated between the direct and indirect cost categories.
- a. Personnel and Fringe Benefits
[insert procedure]
 - b. Equipment, Supplies and Materials
[insert procedure]
 - c. Travel
[insert procedure]
 - d. Consultants
[insert procedure]

5. Labor
 - a. Obtain and review a timesheet for a 1% sample of employees (i.e., if the organization employees 1,000 employees, the sample would include a timesheet for each of 10 employees). The sample should be chosen to include a mix of scientific and administrative, and exempt and non-exempt employees.
 - b. Verify that the following elements are present on the timesheets:
 - employee identification number;
 - assignment or project codes;
 - hours;
 - employee signature; and,
 - supervisory countersignature.
6. Indirect Costs
 - a. Access the web site at **[Carrie]** to determine the currently approved indirect cost rate and the basis used to calculate indirect costs.
 - b. Compare the indirect cost rate and the basis used to calculate indirect costs to the indirect cost rate and basis noted in the approved budget.
 - c. Using the rate and basis approved by NSF, check the mathematical computation of the indirect costs charged to NSF.
7. Accounting System Reconciliation
 - a. Prior to the On-Site Review, obtain a copy of the FCTR submitted by the organization from **[Phil]**.
 - b. With the assistance of the organization, reconcile the amount shown on the FCTR to the organization's system of record.

[Need assistance from Carrie/Phil – (requirement; documents to review; questions to ask)

□ **Post Retirement Benefits.**

- **FASB 106 requires companies that provide postretirement health care benefits to accrue a liability of future health care costs for both current employees and current retirees. Are PRB costs being accrued and shown as liabilities on the financial statements?**

□ **Accrued Vacation Liability.**

- **In the event that the award is terminated, is there any liability to NSF for accrued vacation? Is it currently funded in accordance with FASB 106?**

□ **Contingent Liabilities.**

- **Are there any contingent liabilities present which might have a material impact on the government's interest?]**

IV. Human Resources

A. Objective

This section reviews and assesses all activities related to the human resources function. This involves an assessment of organizational issues, a determination of regulatory compliance, and the collection and review of human resources policies and procedure, position descriptions and qualifications statements for key personnel, compensation rates and various human resources-related systems.

The pages that follow outline procedures for reviewing:

- C.1. Organizational Issues
- C.2. Regulatory Issues
- C.3. Recruitment and Advancement
- C.4. Applicant Screening
- C.5. Compensation
- C.6. Employee Benefits and Services
- C.7. Performance Management
- C.8. Employee Recognition
- C.9. Employee Training and Development
- C.10. Employee Relations and Employee Assistance

A comprehensive review of the Human Resources function will rarely be necessary. At a minimum, the reviewer should perform the desk review outlined for Organizational Issues and Regulatory Issues. Problems in these areas may indicate the need for on-site procedures in these areas and the more in-depth review outlined in Sections C.3. through C.10.

B. Request for Documentation and Information

1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the human resources function; include information related to recruitment and advancement, applicant screening, compensation, employee benefits and services, performance management, employee recognition, employee training and development, and employee relations and employee assistance.
2. Copy of the organization's Form 5500 Filings for the last three years.
3. Copy of Benefits Plan Documents.
4. Copy of Summary Plan Descriptions.
5. Indicate the type of retirement plan, if any, offered by your organization: Defined Contribution or Defined Benefit?
 - a. If Defined Contribution, provide copies of payment documentation.

- b. If Defined Benefit, provide a copy of the plan valuation and a copy of the PBGC-1 (Pension Benefit Guaranty Corp).
6. Indicate the tests that the organization performs to ensure that its retirement plan is qualified.
7. List the benefits available to your employees and indicate whether they are available to all employees; if not, indicate which benefits are available to which class of employee.
8. Explain how employees in your organization are made aware of their benefits and of the services provided by the human resources function.
9. If the organization sponsors J-1 and H-1 visa holders, provide a copy of the procedures used to ensure compliance with the employer's responsibilities.
10. Copy of the organization's affirmative action plan.
11. Indicate whether Adverse Impact Analyses have been performed and, if so, provide an explanation of the method and results.
12. Provide an explanation for how the organization determines exempt and non-exempt status.

C.1. Organizational Issues

A. Desk Review

1. Regarding the organization chart requested under General Management ...
 - a. Does the organization chart define the management functions?
 - b. Are clear lines of authority and responsibility delineated?
 - c. Is it clear what each position does and the need for the position?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).

2. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
3. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with regulations and requirements established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?
6. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.
7. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

- a. Does management regularly conduct financial analysis and monitor financial performance?
- b. Does management regularly conduct progress analysis and monitor progress performance?
8. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?
9. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?

10. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?
11. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.
12. What gets in the way of doing your job or is not worth the effort involved?
13. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.
14. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.

C.2. Regulatory Issues

A. Desk Review

1. Did the organization provide a copy of its last three Form 5500 Filings?

All private employers must file a Form 5500 with the IRS. If copies are not provided, this may be an indication that the organization is in violation of IRS requirements.

2. Review the Benefits Plan Documents and the Summary Plan Descriptions to determine if the organization is in compliance with ERISA requirements.

In an "ERISA-compliant" organization you will find, at a minimum, a "plan document" that basically serves as the plan's constitution, and a summary plan description. According to ERISA, the plan document must:

- Name one or more fiduciaries that have authority to control and manage the operation and administration of the plan.
- Provide a procedure for establishing and carrying out a funding policy consistent with the objectives of the plan.
- Create a procedure for amending the plan.
- Specify the basis on which payments are made to and from the plan.

3. For organizations offering Defined Contribution plans, is the organization current in its payments?

Under a Defined Contribution Plan the organization is required to “pay as it goes.” If payments are not current it may be an indication that the organization is in trouble and is using the payments to cover cash shortfalls.

4. For organizations offering Defined Benefit plans, was a copy of the plan valuation and a copy of the PBGC-1 provided?
5. Has the organization performed tests to ensure that its retirement plan is qualified?

Both DC and DB plans are “qualified”, and can be disqualified if they exclude (i.e., by discriminating) personnel who should be included. Indicate the tests that the organization performs to ensure that its retirement plan is qualified.

6. Did the organization provide a copy of the procedures used to sponsor J-1 and H-1 visa holders and are those procedures sufficient to ensure compliance with the employer’s responsibilities?

The H-1 Work Visa is a temporary permit for an alien to work in the U.S. The H-1 is initially granted for a period of up to three years, with subsequent renewals possible. The total time that an alien can remain employed under an H-1 Visa is restricted to a maximum of six years. In order to obtain the H-1 Visa, the employer must file an application for the H-1 Visa with the appropriate governmental bodies. An important issue in the H-1 Visa process is the determination of an appropriate wage to be paid to the alien.

The J-1 Visa is used for aliens that will be participating as a bona fide student, scholar, trainee, teacher, professor, research assistant, specialist, or leader in a field of specialized knowledge or skill. Basic requirements are as follows:

- ❑ Participants must have sufficient funds to cover all expenses or must have a sponsoring organization that will provide full support;
- ❑ Participants must have the required education for the particular program they are entering;
- ❑ Participants must have a good understanding of the English language, or must be entering a program for non-English speakers.

J-1 Visa participants may be employed under the following circumstances:

- ❑ Employment options are dictated by the nature of the particular program.
- ❑ Program involves paid employment like on-the-job training, teaching, research or other such activities.

7. Does the organization have an affirmative action plan?

8. Does the organization perform Adverse Impact Analyses?

These analyses should be performed in order to identify and eliminate systemic and/or accidental discrimination. Do the analyses, for example, ensure that men and women, minorities and nonminorities, etc., are being treated in the same way?

9. Does the organization have a procedure that ensures that exempt and nonexempt status is applied fairly and consistently and in accordance with regulations?

Exempt personnel are not entitled to overtime, while nonexempt personnel are. If the organization does not have a fair and consistent method of determining status it runs the risk of liability in the form of backpay and penalties (time and one-half for the past three years (or longer if the organization has records) plus double and treble damages for intentional misclassification). Exempt status should be afforded only to those employees that are:

- ❑ compensated at least \$250 per week;
- ❑ paid on a salary basis; and,
- ❑ employed in executive, professional or administrative, but not clerical, positions.

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).

2. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.

3. If an organization has a significant number of H-1 or J-1 Visa holders, the reviewer should perform review procedures designed to test the employer's compliance with the requirements of the Visas at issue.

For example, **[complete]**

4. To test the organization's classification between exempt and nonexempt status, choose the lowest paying exempt position and question the organization as to why the position is not afforded nonexempt status.

C.3. Recruitment and Advancement

The organization should base decisions regarding recruitment and advancement on practices designed to select the candidate best qualified for each position.

A. Desk Review

1. Review the documentation/information provided to determine whether the organization bases decisions regarding recruitment and advancement on practices designed to select the candidate best qualified for each position.

For example,

- a. Do the policies and procedures ensure that any essential competencies and/or knowledge necessary to qualify for various positions are identified?
- b. Do the policies and procedures indicate that the organization advertises vacancies in a manner and to an audience likely to reach individuals qualified for the vacancy?
- c. Do the policies and procedures indicate that the organization seeks to use, where practicable, a competitive process to select individuals for vacancies?
- d. Does the organization have policies and procedures addressing internal advancement into higher-level positions within the same discipline or into new disciplines?
- e. Do the policies and procedures provide guidance to managers so that they know their rights and responsibilities regarding recruitment and advancement?
- f. Does the organization have policies and procedures regarding what questions can and cannot be asked of prospective employees?

- g. Review the grant/cooperative agreement to determine whether specific levels of licensing, certification or training **are** required.
- h. Review the list of position titles in the organization to determine whether specific levels of licensing, certification or training **should be** required.
- i. Do the organization's policies and procedures contain information related to implementation and compliance with the Immigration Reform and Control Act (IRCA) (Public Law 99-603)?

This Act requires that individuals provide proof of employment eligibility and identity and complete an Employment Eligibility Verification Form (I-9) prior to beginning work for wages or other compensation. The law allows an organization to terminate an individual who fails to produce required documents or a receipt for a replacement document (in the case of lost, stolen or destroyed documents) within 3 business days of the date employment begins. These practices must be applied uniformly to all employees. Organizations are expected to ensure that the documents provided reasonably appear genuine on their face. A list of acceptable documents is outlined in the Public Law.

- j. Do the organization's policies and procedures contain information related to implementation and compliance with the Uniformed Services Employment and Reemployment Rights Act (USERRA) (38 U.S.C. parts 4301 through 4333)?

This Act states that employees returning from a period of service in the uniformed services must be reemployed if they meet certain eligibility criteria (outlined in the Act). USERRA guarantees pension plan benefits that accrued during military service and provides health benefits continuation for service members and their families during military service for up to 18 months. It also prohibits employment discrimination against a person on the basis of past military service, current military service, or an intent to serve.

- k. Does the organization have policies and procedures to ensure that it does not discriminate against any employee or applicant on the grounds of race, sex, color, age, national origin or individuals with disabilities?

1. Has the organization filed an Assurance of Compliance with Title VI of the Civil Rights Act of 1964 and have all subrecipients filed an Assurance of Compliance with either the organization or with NSF?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to manage the recruitment and advancement function.
3. Where differences exist in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Select a sample of employee files to review and determine whether an Employment Eligibility Verification Form (I-9) is included in each.
5. If the grant/cooperative agreement requires specific levels of licensing, certification or training, select a sample of employee files to review and determine whether the requirements have been met.
6. Are Equal Employment Opportunity notices posted in conspicuous places?
7. Has the organization had any EEO-related complaints, lawsuits, grievances, etc. filed against it? If yes, review.
8. What does the organization do to ensure equal employment opportunity for applicants and employees? E.g., Affirmative Action and Outreach activities, mailing lists targeted at underrepresented groups.
9. Select a sample of position descriptions and interview the personnel to determine whether they are performing work that is beyond that which is described in their position descriptions. If so, the descriptions may need to be updated.

C.4. Applicant Screening

Organizations should utilize applicant screening practices designed to ensure it hires only well-qualified and suitable employees. Each organization must decide what practices are necessary to ensure that individuals hired are not a potential danger to others and/or have backgrounds which might compromise organizational endeavors and/or proprietary information (e.g., background investigations to verify employment histories, arrest records and other information contained in an employee's resume or employment application).

A. Desk Review

1. Review documents and information to determine whether the organization utilizes applicant screening practices designed to ensure it hires only well-qualified and suitable employees.

B. On-Site Review

1. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any "NO" or "UNKNOWN" answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to ensure it hires only well-qualified and suitable employees.
3. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Has the organization conducted an assessment to determine how extensive an applicant screening program is needed?
5. Is the organization responsible for any highly sensitive, classified, or proprietary information? If so, did the existence of such information or products inform the determinations regarding the scope of the applicant screening program?
6. If a personnel security program exists, are there different levels of security investigations based on the level/access of the employee?
7. If so, who determines the security level required for each position and what criteria are used to make that determination?
8. If an applicant screening program exists, what specific processes are in place to check the backgrounds of applicants/employees?

9. How are applicants/employees notified of the existence and requirements of the personnel security program, the Drug Free Workplace Act, the Fair Credit Reporting Act, and the Employee Polygraph Protection Act?

10. Does the organization conduct polygraph examinations?

If so, it must meet the criteria for conducting such polygraphs and be in compliance with the terms of the Employee Polygraph Protection Act. Under this Act, employers are generally prohibited from requiring or requesting any employee or job applicant to take a lie detector test, and from discharging, disciplining, or discriminating against an employee or prospective employee for refusing to take a test or for exercising other rights under the Act. Lie detector tests may be administered in the private sector to certain prospective employees of pharmaceutical manufacturers, distributors and dispensers. The Act also permits polygraph testing, subject to restrictions, of certain employees of private firms who are reasonably suspected of involvement in a workplace incident (theft, embezzlement, etc.) that resulted in economic loss to the employer.

11. Does the organization request consumer credit reports on applicants and/or employees? If it does, what procedures are in place to ensure compliance with the Fair Credit Reporting Act?

This Act governs the use of consumer reports in all employment decisions. An employer can only obtain a consumer report for employment purposes if it (1) gives the applicant or employee a clear and conspicuous written disclosure (in a document consisting solely of the disclosure) notifying him/her that a consumer report may be obtained and (2) obtains written authorization from the applicant or employee. If an employer intends to take adverse action against an applicant or employee based wholly or in part on information contained in a consumer report, it must first provide the applicant or employee with a copy of the report, along with a written description of his/her rights under the law and it must provide the applicant or employee with an oral, written or electronic notice of the adverse action as well as the name, address and phone number of the consumer reporting agency that furnished the report. The applicant/employee must also be notified of his/her right to dispute the accuracy of the report.

12. What do you do when you determine that an individual has provided false information, has a criminal record, or has engaged in other activities that call into question his/her suitability for a position?

13. Do you have any positions which have access to classified information?

14. What procedures exist to ensure individuals do not have access to such materials until their background investigation has been fully adjudicated?
15. The Drug Free Workplace Act (Public Law 100-690) established the Drug-Free Workplace Act of 1988. In addition, NSF has established a grant condition which requires compliance with the Act's provisions. As a result, organizations must provide a drug-free workplace by
- ❑ publishing a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of a control substance is prohibited in the organization's workplace;
 - ❑ establishing an ongoing drug-free awareness program to inform its employees about
 - the dangers of drug abuse in the workplace,
 - the organization's policy of maintaining a drug-free workplace,
 - any available drug counseling, rehabilitation, and employee assistance programs, and
 - the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
 - ❑ providing all employee with a copy of the policy;
 - ❑ notifying all employees in writing that as a condition of employment the employee will
 - abide by the terms of the statement, and
 - notify the employer in writing of the employee's conviction no later than 5 days after such conviction;
 - ❑ notifying the contract officer with 10 days of receiving a notice of conviction; and,
 - ❑ within 30 days of receiving such notice, taking appropriate action against the employee or requiring his/her satisfactory participation in a drug abuse assistance or rehabilitation program.

C.5. Compensation

The organization should base decisions regarding compensation on consistently-applied practices for setting initial compensation, for reviewing salaries and for making appropriate adjustments over time.

A. Desk Review

1. Review the documentation/information provided to determine whether the organization bases decisions regarding compensation on consistently-applied practices for setting initial compensation, for reviewing salaries and for making appropriate adjustments over time.

For example,

- a. Do the policies and procedures contain guidance related to setting initial compensation?
- b. Do the policies and procedures contain guidance related to reviewing salaries and making adjustments?
- c. Do the policies and procedures contain information related to implementation of and compliance with the Equal Pay Act?

This Act prohibits sex discrimination in payment of wages to women and men performing substantially equal work in the same establishment and prohibits retaliation against a person who files a charge of discrimination, participates in an investigation, or opposes an unlawful employment practice prohibited by Federal law.

- d. Do the policies and procedures contain information related to implementation of and compliance with the Fair Labor Standards Act?

The Act requires that individuals be paid consonant with the minimum wage set by Congress, which is currently \$5.15. Employees under 20 years of age may be paid \$4.25 per hour during their first 90 consecutive calendar days of employment and certain full time students, student learners, apprentices and workers with disabilities may be paid less than the minimum wage under special certificates issued by the Department of Labor. In addition, the FLSA requires that eligible individuals be paid 1-1/2 times their regular rate of pay for all hours worked over 40 in a workweek. Finally, the law requires that an employee must be at least 16 years old to work in most non-farm jobs and at least 18 to work in non-farm jobs declared hazardous by the Secretary of Labor.

B. On-Site Review

1. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization regarding compensation.
3. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Select a sample of personnel files to review and determine whether employees performing similar work with a similar span of control are being paid similar wages.
5. Select a sample of personnel files to review and determine whether women and men performing substantially equal work are paid substantially similar wages.

C.6. Employee Benefits and Services

The organization should ensure that employees are aware of their benefits and of the services provided by the human resources function.

A. Desk Review

1. Review the documentation provided to determine whether the organization makes employees aware of their benefits and of the services provided by the human resources function.

For example,

- a. Do employees receive an employee handbook, a new employee orientation or similar instructional material upon being hired?
- b. Does the organization make information regarding benefits and services provided by the human resources function available through other means (e.g., intranet, newsletters)?

B. On-Site Review

1. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization regarding employee benefits and services.
3. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Interview personnel to determine whether they are aware of their benefits and of the services provided by the human resources function.
5. For any “unusual” benefits, what is the rationale?

Required benefits include social security, unemployment and worker’s compensation insurance and, in some states, disability plans. Typical benefits include health and life insurance, vacation and sick pay, and a retirement plan. In addition, common sense principles establish that rested employees work more efficiently and that each employee will need to be absent from the work place due to occasional illness or other emergency. In addition, many organizations encourage employees to take part in national and community programs for the common good by permitting special kinds of absences, i.e., to vote, to give blood, to serve as a witness or on a jury at trial, etc.

6. Has the organization assigned someone the responsibility to answer questions about benefits/services?
7. How are important changes in benefits/services communicated?
8. Has the organization assigned someone the responsibility to perform quality assurance checks to ensure benefits/services are properly administered?
9. Has the organization assigned someone the responsibility to document leave and how is leave approved?
10. Has the organization assigned someone the responsibility to ensure that leave entitlements are not exceeded?

11. Do the policies and procedures contain information related to implementation and compliance with the Family and Medical Leave Act (Public Law 103-3) (February 15, 1993).

This Act provides an eligible employee with a total of 12 administrative workweeks of unpaid leave during any 12-month period for various reasons outlined in the Act.

For example, has the organization assigned someone the responsibility to:

- a. collect FMLA requests?
- b. determine appropriateness and approve or disapprove requests?
- c. monitor the amount of leave used to ensure that the entitlement is not abused?

C.7. Performance Management

The organization should have a performance management process for setting expectations, monitoring performance and providing feedback, and periodically rating overall performance.

A. Desk Review

1. Review the documentation/information provided to determine whether the organization has a performance management process.

For example,

- a. Do the policies and procedures contain guidance on setting work expectations?
- b. Does a process exist for setting individual and/or team performance expectations?
- c. Do employees have input to the process of setting performance expectations?
- d. Do employees have input to the process of monitoring performance?
- e. Do employees have input to the process of providing feedback?

B. On-Site Review

1. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization regarding performance management.
3. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Request a sample of performance plans and performance appraisals and review to determine **[complete]**
5. Are compensation, award and retention decisions based on performance outcomes?
6. By what mechanism are poor performers held accountable for their work efforts?

C.8. Employee Recognition Program

Good business practice rewards performance that contributes to or increases the efficiency of the organization and contributes to mission accomplishment. Employee recognition programs can be designed in a variety of ways to motivate and reward deserving employees while enhancing morale.

A. Desk Review

1. Review the documentation/information provided to determine whether the organization has an employee recognition program.

For example,

- a. Are there policies and procedures for determining what type of recognition an individual receives?

- b. What types of recognition are available?
 - Monetary
 - Non-monetary (certificates, pins, etc.)
 - Gifts or savings bonds
 - Other
- c. Who has the authority to approve and/or provide recognition?
- d. What criteria are used to ensure that rewards are provided in an efficient and equitable manner?
- e. How do you gauge the effectiveness of your recognition programs and whether there is a link between recognition and performance?

B. On-Site Review

1. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization regarding performance management.
3. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).

E.9. Employee Training and Development

The organization should have a process to assess current and long-term training and development needs and put plans in place to address skills gaps and to plan for succession in key positions.

A. Desk Review

1. Review documentation/information provided to determine whether the organizations assesses current and long-term training and development needs and has plans to address skills gaps and succession plans for key positions.

For example,

- a. Who participates in determining the organization's training and development needs (is there a steering committee, stakeholder feedback, other participatory process)?
- b. What strategies are being implemented to help ensure that employees have or will continue to have the competencies and skills for the job?
- c. How are employees selected for training?
- d. Is training mandatory for particular positions (e.g., supervisors)?
- e. Do employees have individual learning plans?
- f. Is all training job-related?
- g. How do you determine what is a reasonable cost for the training?
- h. How are training costs paid? (E.g., centralized or decentralized; employee and organization splits costs, cost reimbursement upon course completion.)
- i. How much does the organization spend per employee on training?
- j. What is the average number of hours per year that employees spend at designated learning activities (e.g., classroom, e-learning, conferences, etc.)?
- k. Are employees required to work a certain amount of time before they are eligible for training?
- l. Are there any requirements for continued employment service subsequent to training?
- m. What training delivery systems do you use (e.g., on the job training, web-based learning, classroom training, conference, satellite)?
- n. Do you have any return on investment data?
- o. How is the program funded?
- p. Are any changes expected in the work or the organization and how might these changes impact your employee development program?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to manage the employee training and development program.
3. Where differences exist in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Select a sample of employees to interview to determine whether their training and development needs are being met.
5. If the grant/cooperative agreement requires specific levels of training, select a sample of employee files to review and determine whether the requirements have been met.

C.10. Employee Relations and Employee Assistance

The organization should have employee relations processes in place that allow employees to air concerns and obtain appropriate redress and employee assistance programs that allow employees to confidentially address personal or family problems.

A. Desk Review

1. Review documentation/information provided to determine whether the organization has reasonable and fair procedures for addressing employee relations and providing employee assistance.

For example,

- a. Is there a person/place (either in the organization or through a third-party) where employees can air confidential employment-related matters?
- b. Who has the right to discipline or fire an employee?
- c. What training and guidance are provided to these individuals to ensure they are properly exercising their rights and responsibilities regarding employee discipline and termination?

- d. Is there any neutral review of such determinations to protect the organization from claims of discrimination, violation of employment agreements, etc?
- e. Does the organization have an employee assistance program to assist employees with personal or family problems?
- f. How is this program publicized?
- g. What confidentiality guarantees are provided?
- h. Have procedures been established to address the possibility of violence in the workplace?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in human resources to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to manage employee relations and employee assistance.
3. Where differences exist in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).

V. Property

A. Objective

This section reviews and assesses all activities related to non-real property, or equipment, purchased with Federal funds. The aim is to determine whether the organization keeps adequate property records, maintains an up-to-date inventory of all property, and has proper controls in place to safeguard property against loss, damage and theft.

Equipment is tangible nonexpendable property, including exempt property, charged directly to an award and having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. NSF awards rarely provide for the acquisition of real property. Where this is the case, consult the provisions of OMB Circular A-110 applicable to the acquisition of real property.

The pages that follow outline procedures for:

- C.1. Organizational Issues
- C.2. Acquisition and Disposition
- C.3. Inventory and Recordkeeping
- C.4. Security and Maintenance

B. Request for Documentation and Information

1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage Federal property; include information related to acquisition and disposition, inventory and recordkeeping, security and maintenance practices.
2. Copies of the two most recent NSF Form 1408's ("NSF Property in the Custody of Awardees") with a copy of the inventory.

C.1. Organizational Issues

A. Desk Review

1. Regarding the organization chart requested under General Management ...
 - a. Does the organization chart define the management functions?
 - b. Are clear lines of authority and responsibility delineated?
 - c. Is it clear what each position does and the need for the position?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
3. Interview personnel involved in property to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with regulations and requirements established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?
6. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.
7. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

- a. Does management regularly conduct financial analysis and monitor financial performance?
- b. Does management regularly conduct progress analysis and monitor progress performance?

8. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?
9. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?
10. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?
11. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.
12. What gets in the way of doing your job or is not worth the effort involved?
13. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.
14. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.

C.2. Acquisition and Disposition

The organization should have policies and procedures that are in compliance with NSF and Federal regulations and requirements for acquiring and disposing of property.

A. Desk Review

1. Review the documentation/information provided to determine whether the organization has policies and procedures that are in compliance with NSF and Federal regulations and requirements for acquiring and disposing of property.

For example,

- a. Do the policies and procedures ensure that only equipment necessary for the research or activity supported by the grant is purchased?
- b. Do the policies and procedures ensure that only equipment that is not otherwise reasonably available and accessible is purchased?
- c. Are proposed purchases reviewed and approved? By whom?

- d. Do the policies and procedures require that the equipment be used in the project or program for which it was acquired?
 - e. Do the policies and procedures require that disposition instructions on Federal property excess to the organization's requirements are requested from the NSF Property Administrator, disposition instructions provided by the NSF Property Administrator are carried out as directed, and disposition of property is documented?
2. If the award document authorizes the organization to sell equipment, does the organization have sales procedures that provide for competition to the extent practicable?
 3. Does the award document specify that title to equipment purchased or fabricated with NSF funds will vest in NSF? If not, title vests in the organization and the property is considered "exempt".

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any "NO" or "UNKNOWN" answers resulting from the Desk Review.
2. Interview personnel involved in the property function to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to acquire and dispose of property.
3. Where differences exist in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. If the organization is authorized to sell equipment, review sales records to ensure that there was competition.
5. Have there been any dispositions of equipment and, if so, verify that the dispositions were properly classified between equipment acquired under Federal awards and equipment otherwise acquired.
6. For dispositions of equipment acquired under Federal awards, perform procedures to verify that the dispositions were properly reflected in the property records.

7. For dispositions of equipment acquired under Federal awards with a current per unit fair market value in excess of \$5000, test whether the awarding agency was reimbursed for the appropriate Federal share.

C.3. Inventory and Recordkeeping

The organization's inventory and recordkeeping practices for equipment acquired with Federal funds and Federally-owned equipment must be in compliance with Federal requirements.

A. Desk Review

1. Review the documentation/information provided to ensure that the policies and procedures are in compliance with Federal requirements.

For example,

- a. Do the policies and procedures require that equipment owned by the Federal Government be marked, tagged or segregated in such a manner as to clearly indicate its ownership by the Government?
- b. Do the policies and procedures require that the organization submit an annual inventory report by NSF grant number of NSF-owned property having an original acquisition cost of \$5,000 or more and that a physical inventory of Government Owned Equipment is conducted every year pursuant to .34f **[is this required for c/a's?]**?
- c. Do the policies and procedures require that a physical inventory of equipment be taken and reconciled with the equipment records at least once every two years?
- d. Do the policies and procedures require that, in connection with the physical inventory, the organization verify the existence, current utilization and continued need for the equipment?
- e. Do the policies and procedures direct that any discrepancies between the physical inventory and the equipment records be investigated to determine the cause of the difference?
- f. Do the policies and procedures outline how to reconcile the inventory?
- g. Do the policies and procedures outline how to maintain a property record and the information it must contain?

- h. Are policies and procedures in place for responsibilities of recordkeeping?
- i. Does the system permit only authorized users to enter, modify or otherwise alter property records?
- j. Is there an audit trail for entries to a property record, including the identification of individuals entering or approving information and/or other data?
- k. Do the two most recent NSF Form 1408's reconcile? I.e., the ending balance on the oldest report should equal the beginning balance on the newest report.

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any "NO" or "UNKNOWN" answers resulting from the Desk Review.
2. Interview personnel involved in the property function to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization for inventorying and recordkeeping associated with property.
3. Where differences exist in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Does the organization have personnel in place to administer the organization's property management system (best practice)?
5. Was the organization's property management system reviewed and approved by the NSF Property Administrator (best practice)?
6. Request a copy of the most recent physical inventory of equipment and ensure that it was conducted and reconciled to the equipment records within the past two years.
7. If the Form 1408's did not reconcile, work with the awardee to determine why.
8. If required, did organization comply with A.1.b.?
9. Test whether any differences between the physical inventory and the equipment records were resolved.

10. Select a sample of equipment owned by the Government and determine whether it is properly tagged, **[complete]**
11. Identify equipment acquired under Federal awards and trace selected purchases to the property records. Verify that the records contain the proper information.

For example,

- a description of the equipment
- manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number
- source of equipment including award number
- whether title vests in the organization or the Federal Government
- acquisition date (or date received, if the equipment was furnished by the Federal Government)
- cost
- information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government)
- location and condition of the equipment and the date the information was reported
- unit acquisition cost
- ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

C.4. Security and Maintenance

Organizations should have systems in place for securing and maintaining equipment purchased with Federal funds and for keeping the equipment in good condition.

A. Desk Review

1. Review the documentation/information received to determine whether the organization has systems in place to prevent loss, damage or theft of equipment purchased with Federal funds and for keeping the equipment in good condition.
2. Does the system require that any loss, damage or theft of equipment be investigated and fully documented?
3. Does the system require that any loss, damage or theft of Federally-owned equipment be reported to the Federal awarding agency?

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
2. Interview personnel involved in the property function to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization for securing equipment purchased with Federal funds against loss, damage or theft, and for maintaining equipment purchased with Federal funds.
3. Where differences exist in claimed versus actual practices exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
4. Does the organization maintain the equivalent insurance coverage for real property and equipment acquired with Federal funds as provided to property owned by the recipient. (Federally-owned property need not be insured unless required by the terms and conditions of the award.)
5. Select a sample of equipment identified as acquired under Federal awards from the property records and physically inspect the equipment including whether the equipment is appropriately safeguarded and maintained.

VI. Procurement

A. Objective

This section reviews and assesses all activities related to the procurement of supplies and other expendable property, equipment and other services with Federal funds. Here the focus is on whether the organization has a purchasing manual with written policies and procedures, makes positive efforts to use small and minority owned businesses, ensures that procurements are conducted competitively, and maintains a file or detailed records documenting the basis of all procurements and purchases.

The Procurement review is organized in three sections:

- C.1. Organizational Issues
- C.2. Procedures and Files
- C.3. Subrecipient Monitoring

B. Request for Documentation and Information

1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the procurement function.
2. Describe the delegations from general management to procurement management to procurement staff, the dollar threshold for each delegation and the internal controls in place to ensure the delegations are not exceeded or used without authority.
3. List of subawards, subcontracts and purchase orders awarded for the most recently completed accounting year. From this list, a sample of files to be reviewed will be made and supplied in advance of the review.

C.1. Organizational Issues

A. Desk Review

1. Regarding the organization chart requested under General Management ...
 - a. Does the organization chart define the management functions?
 - b. Are clear lines of authority and responsibility delineated?
 - c. Is it clear what each position does and the need for the position?
2. Regarding the flowchart requested under Budget and Finance ...
 - a. is it clear what each process accomplishes and the necessity for each process ?

3. Do the procedures outline a clear assignment of authority for issuing purchase orders and contracts for good and services?
4. Do the procedures provide for segregation of duties between employees responsible for procurement/accounts payable/disbursing?
5. Do the procedures contain internal controls sufficient to ensure delegations aren't exceeded or used without authorization?
6. Are requiring offices advised of the lead times necessary to initiate and complete the contractual obligation of funds?
7. Review the information/documentation received to ensure that the organization has written standards of conduct requiring that personnel engaged in the award and administration of procurement activities not solicit nor accept gratuities, favors or anything of monetary value from vendors or prospective vendors.

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any "NO" or "UNKNOWN" answers resulting from the Desk Review.
3. Interview personnel involved in procurement to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with regulations and requirements established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?

6. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.

7. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

a. Does management regularly conduct financial analysis and monitor financial performance?

b. Does management regularly conduct progress analysis and monitor progress performance?

8. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?

9. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?

10. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?

11. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.

12. What gets in the way of doing your job or is not worth the effort involved?

13. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.

14. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.

C.2. Procedures and Files

A. Desk Review

1. Review the information/documentation received to ensure that the organization's policies and procedures require, to the maximum extent practical, open and free competition:
 - ❑ organization is alert to conflicts of interest
 - ❑ organization is alert to noncompetitive practices among vendors
 - ❑ vendors that develop or draft specs, requirements, SOWs, invitations to bid and/or RFPs are excluded from competing
 - ❑ awards are made to the bidder or offeror that is responsive to the solicitation and is most advantageous in terms of price, quality and other factors considered
 - ❑ solicitations clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated.
2. Are justifications for other than full and open competition approved in writing at the appropriate level?
3. Review the information/documentation provided to ensure that the organization's written policies and procedures ensure that:
 - ❑ organizations avoid purchasing unnecessary items
 - ❑ where appropriate, an analysis is made of lease v. purchase alternatives to determine which would be the most economical and practical procurement
 - ❑ solicitations for goods and services provide for all of the following:
 - ❑ clear and accurate description of the technical requirements for the material, product or service to be procured; in competitive procurements, such a description shall not contain features which unduly restrict competition
 - ❑ requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals
 - ❑ a description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards
 - ❑ the specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation
 - ❑ the acceptance, to the extent practicable and economically feasible, for products and services dimensioned in the metric system of measurement

- preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
- 4. Review the information/documentation provided to ensure that the organization's written policies and procedures demonstrate that positive efforts are made to utilize small business, minority-owned firms, and women's business enterprises and that steps are taken to further this goal; e.g.,
 - used to the fullest extent practicable
 - make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation (e.g., trade fairs attended, conferences attended, SBA training attended)
 - consider whether firms competing for larger contracts intend to subcontract
 - encourage contracting with consortiums of small businesses, minority-owned firms, and women's business enterprise
 - use the services and assistance, as appropriate, of organizations such as SBA and the Department of Commerce's Minority Business Development Agency
- 5. Review the information/documentation provided to ensure that the type of procuring instrument is appropriate for the particular procurement and for promoting the best interest of the program of project involved. Cost-plus-a-percentage-of-cost and percentage of construction cost methods of contracting shall not be used.
- 6. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Does the organization consider contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources?
- 7. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.
- 8. Procurement records and files for purchases in excessive of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

9. Is there a system for contract administration to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow-up of all purchases. Recipients shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.
10. The recipient shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts. The following provisions shall also be applied to subcontracts:
- ❑ Contracts in excess of the small purchase threshold [\$_] shall contain contractual provisions or conditions that allow for administrative, contractual or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial action as may be appropriate
 - ❑ Contracts in excess of the small purchase threshold shall contain suitable provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor
 - ❑ Contracts for construction or facility improvements shall provide for the recipient to follow its own requirements relating to bid guarantees, performance bonds, and payment bonds unless the construction contract exceeds \$100,000. For those contracts exceeding \$100,000, NSF may accept the bonding policy and requirements of the recipient, providing NSF has made a determination that the Federal Government's interest is adequately protected. If such a determination has not been made, the minimum requirements shall be as follows:
 - ❑ A bid guarantee from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check or other negotiable instrument accompanying a bid as assurance that the bidder shall, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.
 - ❑ A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

- A payment bond on the part of the contractor for 100 percent of the contract price. A “payment bond” is one executed in connection with a contract to assure payment as required by statute of all persons supplying labor and material in the execution of the work provided for in the contract.
- All negotiated contracts over the small purchase threshold awarded by recipients shall include a provision to the effect that the recipient, NSF, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcripts.

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e, personnel to interview and documentation to review) to explain any “NO” or “UNKNOWN” answers resulting from the Desk Review.
3. Interview procurement personnel and determine whether small purchase files are periodically reviewed to ensure that:
 - related items are consolidated when practical and advantageous
 - requirements are not split or manipulated to avoid thresholds
 - unpriced orders contain appropriate monetary limitations
 - recurring orders evaluated at least annually to determine the appropriateness of either establishing, updating or canceling blanket purchase agreements.
4. From the list of subawards, subcontracts and purchase orders awarded for the most recently completed accounting year, select a sample of files to review. The number of files that can be reviewed will vary depending upon the amount of time planned for the On-Site Review. At a minimum, the reviewer should select a sample that includes a cross-section of the types of procurement activities; e.g., subawards, subcontracts and purchase orders, including small purchases.

5. For each file, perform the following:
 - a. Verify that they document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price (s. .36(b)(9) and s. .46).
 - b. Verify that procurements provide full and open competition (s. 36(c)(1) and s. .43).
 - c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (s. .36(b)(1) and (d)(4), s. .43, and s. .44(e)).
 - d. Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action (s. .36(f) and s. .45).
 - e. Verify that NSF approved procurements exceeding \$100,000 when such approval was required. Approval may be required for procurements (1) awarded by noncompetitive negotiation, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder, or (4) specifying a “brand name” product (s. .36(g)(1) and s. .44(e)).
 - f. Verify compliance with other procurement requirements specific to the award.

- g. Verify that contracts contain the following provisions as applicable:

PROVISION	APPLICABILITY
Equal Employment Opportunity	All.
Copeland Anti-Kickback Act	All contracts and subgrants in excess of \$2000 for construction or repair.
Davis-Bacon Act, as amended.	When required by Federal program legislation, all construction contracts of more than \$2000.
Contract Work Hours and Safety Standards Act.	All contracts in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers.
Rights to Inventions Made Under a Contract or Agreement	Contracts or agreements for the performance of experimental, developmental or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention.
Clean Air Act	Contracts and subgrants in excess of \$100,000.
Byrd Anti-Lobbying Amendment	Contractors who apply or bid for an award of \$100,000 or more shall file the required certification.
Debarment and Suspension	Contractors with awards that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees.

C.3. Subrecipient Monitoring

[to be added]

VII. Information Technology

A. Objective

The review outlined in this section assumes that the internal controls related to the IT systems were tested in conjunction with the organization's A-133 audit. Accordingly, the review focuses on applications, network and physical security.

B. Request for Documentation and Information

1. Copies of all policies and procedures, handbooks, manuals, etc. employed by your organization to manage the IT function, including all aspects of applications, network and physical security.
2. Copy of the contingency/disaster recovery plan, date of last update, date of last test, and test results.

C. Desk Review

1. Regarding the organization chart requested under General Management ...
 - a. Does the organization chart define the management functions?
 - b. Are clear lines of authority and responsibility delineated?
 - c. Is it clear what each position does and the need for the position?
2. Does the organization have a contingency plan, has it been tested recently and were the results of the test positive?
3. Applications Security.
 - a. Do the organization's procedures include a process for reviewing and approving changes to the soft- or hardware systems prior to implementation?
 - b. Does the organization have different people responsible for the programming of changes and the implementation of changes?

Ideally, different people will be responsible for these different functions. However, in organizations with smaller IT departments this may not be possible. If different people are not assigned to the programming of changes and implementation of changes, is there a process for verifying that all changes were authorized? E.g., changes are logged and captured in a system change log, the organization performs a reconciliation process.

4. Network Security.
 - a. Can anyone access the organization's systems through the Internet or are firewalls in place to prevent intrusion?
 - b. Does the organization have password policies for both systems and individual users?
 - c. Do the organization's procedures outline how access is determined, assigned, controlled and changed?
5. Physical Security.
 - a. If the organization has a high-risk IT environment (e.g., sensitive, high-risk data; rarely the case for NSF), does the organization have procedures addressing physical access, fire/water/building safety, etc.

B. On-Site Review

1. Formulate a strategy (i.e., personnel to interview and documentation to review) to investigate any issues requiring follow-up or areas of concern noted in interviews with the Program Officer, Grants Officer, DFM and DAS (Figure 1).
2. Formulate a strategy (i.e., personnel to interview and documentation to review) to explain any "NO" or "UNKNOWN" answers resulting from the Desk Review.
3. Interview personnel involved in IT to determine whether they are knowledgeable about and in compliance with the policies and procedures employed by the organization to perform the award and ensure compliance with rules established by NSF and the Federal Government.
4. Where differences in claimed versus actual practice exist, determine the impact of the deviation (e.g., does the difference represent an improvement to the process or a failure of the process?).
5. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations and requirements?
6. Meet with responsible personnel to obtain an overview of the various risk factors considered by management and an understanding of how management identifies the risks, estimates the significance of risks and assesses the likelihood of their occurrence. If applicable, obtain an overview of any plans, programs or actions management may initiate to address specific risks. Keep in mind that, depending on the nature of the risks, management may elect to accept a given risk due to costs or other considerations.

7. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*?

For example,

- a. Does management regularly conduct financial analysis and monitor financial performance?
 - b. Does management regularly conduct progress analysis and monitor progress performance?
8. Are job descriptions sufficient to ensure the recruitment and retention of employees with adequate skills levels?
 9. Is the training received by employees (both formal classroom training and informal on-the-job training) timely, adequate, and appropriate for the specific level of certification?
 10. Is staffing adequate to support the mission without excessive use of overtime or the addition of temporary employees?
 11. Excessive turnover may be an indication of problems in the organization. Inquire as to whether there is excessive turnover.
 12. What gets in the way of doing your job or is not worth the effort involved?
 13. By observation, determine whether the office-working environment (i.e., office space, heating/cooling, lighting, noise levels, etc.) is adequate.
 14. By observation, determine whether the number and condition of office business machines (i.e., copiers, fax, computers, telephone lines) are adequate.

VIII. Operations & Maintenance

IX. Project Management