Report by the TBSR Subcommittee
of the
National Science Foundation
Business and Operations Advisory Committee

following the
March 28, 29, 2007 Meeting
of the
TBSR Subcommittee
to Consider the NSF's
Total Business Systems Review Process

Date of this Report
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Executive Summary

The Total Business Systems Review (TBSR) Subcommittee of the NSF Business and Operations Advisory Committee met on March 28, 29, 2007 at the National Science Foundation in Arlington, Virginia to discuss the policy, process and content of the Foundation's *Total Business System Review* (TBSR) activity as requested in the Subcommittee Charter provided by NSF Chief Financial Officer and Director of the Office of Budget, Finance and Award Management, Thomas N. Cooley. The Charter is included in this report as Appendix A. The Subcommittee was joined during the meeting by two key NSF officers, Deputy Director for Large Facilities Projects (DDLFP), Dr. Mark Coles, and lead TBSR administrator, Mr. Brian Mannion, as well as by three representatives of the Booz Allen Hamilton organization that has been contracted by NSF to support development of the *TBSR Guide* document. Following the meeting, the subcommittee developed and refined the observations that were arrived at during the meeting, formulated specific recommendations about the TBSR policy, process and content and prepared this report for submission to the full Business and Operations Advisory Committee of NSF.

This report provides specific answers to the questions posed to the Subcommittee in the Review Charter from NSF as well as a number of additional observations and comments distributed throughout the report. In addition, there is a final section of the report that brings together the key conclusions reached by the Subcommittee and the recommendations that follow from these conclusions.

This report will be submitted and presented to the NSF Business and Operations Advisory Committee at a future meeting of the B&O Advisory Committee.

From discussion during and subsequent to the meeting and captured in the detailed written sections of this report, the subcommittee arrived at some *key conclusions* provided in the last report section. The subcommittee provides specific *recommendations* to NSF management in that section and here:

Recommendations of the Subcommittee:
1. The Subcommittee recommends that NSF incorporate a Scoping Activity, prior to each TBSR, that matches the general goals of the TBSR with the nature of the reviewed facility and the oversight needs of the NSF.
2. The Subcommittee recommends that the focus and agenda of all TBSRs be matched clearly to the nature of the reviewed facility and whether it is managed within a research university or by a dedicated not-for-profit corporation.
3. The Subcommittee recommends that TBSR reviews be generally set at 5 year intervals but allows for a review as soon as 3 years later if driven by important, relevant changes in the facility.
4. The Subcommittee recommends that NSF eliminate *Subrecipient Monitoring* from the TBSR core functional areas and incorporate any subrecipient monitoring aspects of the review within the other core functional areas.
5. The Subcommittee recommends that NSF add appropriate non-NSF subject matter experts to the TBSR review teams.
6. The Subcommittee recommends eliminating the redundancy of elements cited as "areas of concern" among the core functional areas.
7. The Subcommittee recommends that all documents requested from the reviewed organization be listed together in a separate section.
8. The Subcommittee recommends that NSF re-title Section 10 of the Guide from "Procurement and Acquisition System" to "Procurement System".
9. The Subcommittee recommends that NSF change the title, "Total Business Systems Review", to the more accurate and appropriate, "Business Systems Review".

The subcommittee concurs unanimously in the content of this report.

Main Report

The NSF TBSR Subcommittee Charge

The NSF Charter to the subcommittee contains both general charge language to "…*examine the efficacy of the policies and practices comprising the TBSR*", and five specific bullet points that "…*address the goals and procedures defined within the TBSR Guide*", for consideration and commentary by the subcommittee. The specific Charter bullet points comprise:

1. "*NSF plans and methods for selection of facilities to be evaluated through the TBSR process, the frequency of review, and timing of the review within the life-cycle stage and/or award cycle of the facility*";
2. "*The range of topical areas included in the TBSR*";
3. "*The composition of the TBSR review team, including range of experience and skills of the participating NSF staff and NSF contractors, and their respective roles and responsibilities in the TBSR review*";
4. "*Whether best practices used to monitor and evaluate business operations of awardee institutions are fully captured in the TBSR Guide*";
5. "*Examination of one or more representative TBSR reports and descriptions of follow-up activities resulting from the report(s)*".

The subcommittee's views about the TBSR process are considered in two report sections and the specific content of the TBSR Guide are discussed in the remainder of the report.

General Observations Concerning the TBSR Process

In addition to addressing the specific items in the Subcommittee Charter for this meeting, and to be responsive to oral comments made by NSF officers during the meeting, the subcommittee believes that it will be of value to provide some general observations about the TBSR activity that go beyond our consideration of the TBSR process specifics and content of the draft *Total Business Systems Review (TBSR) Guide* (March 28, 2007 Version). This section provides our general observations about the TBSR activity, including the policy and efficacy aspects of the TBSR process.

The overall process for conducting a TBSR as described in the Total Business Systems Review Guide (hereafter referred to as "the Guide") is quite reasonable and appropriate. NSF should have a review system in place for monitoring large facility projects including a review system to focus on the business systems, i.e., the administrative aspects, of the large facility. This TBSR process will serve as a complement to the on-going, rigorous scientific and technical review process that is already in place.

The TBSR process involves the selection of the entity to be reviewed, the formation of a TBSR Team, performance of a desk review of documents provided by the entity being reviewed, an on-site visit to the large facility by the TBSR team, and the preparation of a report. The goal of this process is well articulated. It is not an audit. Rather, its purpose is to provide a review that serves to document the NSF's proper oversight and stewardship of large projects and also to provide a vehicle for collaboration between the NSF and the staff of a large facility to identify administrative areas of strength as well as administrative areas that would benefit from further improvements. The TBSR is clearly in the spirit of the Cooperative Agreement, the instrument by which NSF funds and oversees most large facilities.

The roles and responsibilities of the NSF and its awardee participants in the TBSR process (Guide, page 8) appear to be thorough, complete, and reasonable. The timeline for the overall TBSR process (Guide, page 5) is also reasonable. A successful TBSR review clearly depends on careful and extensive long-range planning and coordination. While a four-to-six month time period for the TBSR process may appear lengthy, it is extremely important to remember that participants on both sides of the review—NSF and the awardee—are generally not in a position to "drop everything" for a period of weeks or months in order to devote their entire efforts to the preparation and conduct of the TBSR review. To ensure an effective and worthwhile TBSR review, it is necessary to make sure that all participants have adequate time for preparation. Despite pressures to the contrary, the process should not be rushed.

The subcommittee believes that the overall TBSR process can be strengthened significantly by adding a "scoping" step prior to the desk review and by clarifying the focus of the TBSR, particularly in the cases where the large facility is operated by an experienced awardee. These suggestions are described below.

The Scoping Process: A literal reading of the Guide, as presently drafted, suggests that the TBSR program is intended to follow a "one size fits all" approach in which every TBSR includes every evaluation element described in the Guide. With regard to the documentation to be reviewed at the Desk Review portion of the TBSR, the implication is that an organization receiving a TBSR should have all of the documents that are listed in the Guide. If this were true, it would involve a tremendous amount of document creation prior to the Desk Review. It is difficult to imagine that a single awardee institution has, at hand, all of the documents described in the Guide. In order to make the most of the TBSR process, it is necessary to tailor the review to the specific large facility project that is being examined. One aspect of this tailoring process relates to an assessment of the risks presented by the administrative operations of a particular facility. Another critical part of the tailoring should be driven by a consideration of the recent reviews and audits that have already been conducted at the large facility by other agencies, both federal and private, e.g., DCAA, ONR, external audit firms.

The TBSR process could be enhanced significantly by adding a "scoping" phase prior to the Desk Review. It is envisioned that as soon as a TBSR has been set for a particular facility, the TBSR Team Leader (and others as necessary) should go to the site of the awardee's central business management operation and meet in person with the awardee's Authorized Organizational Representative (and others as appropriate) to review the plans for the TBSR. As part of this process, each of the core functional area review modules should be discussed in depth, with the goal being to determine which aspects of each module should be included in the review. If one thinks of the TBSR Modules as a summary of the totality of business systems for an awardee, the goal of the scoping process is to refine or focus the topics or issues within each module that ought to be included in a particular TBSR, particularly those aspects that NSF feels that it does not well understand or that are perceived to carry significant risk for the agency. It is not possible to thoroughly review every element of every core functional area in a single TBSR. Nor would such an effort be particularly worthwhile or productive. The outcome of the scoping visit should be a TBSR plan that is appropriate for the particular awardee at this particular time. With this plan in hand, the awardee can focus on the collection of the documents that are most essential for the review. Similarly, the members of the TBSR Team can focus their efforts on reviewing the documents that are most critical for the upcoming review and then prepare appropriate follow-up questions to be explored during the site visit.

The benefits of a significant clarification of the TBSR process at a particular entity will be significant, both for the NSF TBSR Team and for the staff at the awardee institution who will be involved in the TBSR. The subcommittee offers a specific recommendation on this subject (Recommendation 1): The Subcommittee recommends that NSF incorporate a Scoping Activity, prior to each TBSR, that matches the general goals of the TBSR with the nature of the reviewed facility and the oversight needs of the NSF

Focus of the TBSR: Large Facility v. Awardee Institution: A persistent source of confusion and frustration in reviewing the Guide is the lack of focus within each of the core functional areas, and similarly with regard to the documents to be reviewed. Is the TBSR looking primarily at the awardee institution as a whole, or primarily at the large facility program? The answer obviously will depend on the nature of the particular entity being reviewed. If the entity is operated by an awardee institution, e.g., university or university consortium, that is well funded by NSF and/or other federal agencies and broadly experienced in conducting large research programs, the primary focus of the TBSR might be expected to be on the large facility program, rather than on the awardee institution as a whole. In contrast, if the entity is being operated by an awardee for which the large facility is its sole or major activity, the focus of the TBSR might be expected to be on the awardee institution.

Whatever the case, the ambiguity needs to be reduced, if not removed. Part of this process will occur with a careful revision of the current draft of the Guide. However, another critical part of this process will occur during the "scoping" process described above. The subcommittee also offers a recommendation on this subject (Recommendation 2): The Subcommittee recommends that the focus and agenda of all TBSRs be matched clearly to the nature of the reviewed facility and whether it is managed within a research university or by a dedicated not-for-profit corporation.

Observations on Specific Bullets in the Subcommittee Charter

There were five specific bullets in the Charter to the subcommittee and the subcommittee provides summary comments to address them in this section. More detailed observations, linked to the Draft TBSR Guide that NSF has created to guide the TBSR process, are provided in the following section of our report, "Comments on the TBSR Guide and Specific Review Content".

Bullet 1 – "*NSF plans and methods for selection of facilities to be evaluated through the TBSR process, the frequency of review, and timing of the review within the life-cycle stage and/or award cycle of the facility*"

The committee generally agrees with the guidance for TBSR facility selection as provided in section 3.1 of the guide.

For newly funded facilities the review should be undertaken early in the award cycle with an eye toward providing assistance and allowing time for any needed corrective actions prior to the time that renewal funding is considered. For facilities that are intended to operate over decade-scale time periods, the TBSR frequency should generally be once in five years, with an exception allowed for review in as few as three years when driven by specific NSF concerns. If this review frequency guideline is followed, and the subcommittee-recommended scoping/focus aspect noted above is incorporated in the reviews, the TBSR process and frequency will well serve NSF's oversight role for the business functions of its large facilities while limiting the time and effort impacts on the institutions and the agency for the reviews.

For FFRDCs and existing funded facilities the initial TBSR review should take place in the third year of the award cycle and serve as a "checkup" to ensure that NSF funds are properly managed and administered.

Bullet 2 – "*The range of topical areas included in the TBSR*"

The core functional areas of the Guide under review by the Subcommittee are:
1. General Management
2. Planning and Budget
3. Financial Management

4. Financial Reporting

5. Procurement and Acquisition

6. Subrecipient Monitoring

7. Property and Equipment Management

8. Human Resources

With the exception of Subrecipient Monitoring, these accurately and adequately capture the breadth and depth of the research administration enterprise. They also match up with the major categories and topics of the OMB Circulars (for example, A-110, A-21, and A-133). The importance of these particular topics is further verified in a comparison with industry standards spelled out in "Managing Externally Funded Research Programs: A Guide to Effective Management Practices" published by the Council on Governmental Relations. Subrecipient monitoring, however, is not a functional area, but rather an activity that is conducted as part of one's general financial management responsibilities. That activity could be dealt with either in the financial management or the procurement sections. The subcommittee offers a recommendation on this issue: The Subcommittee recommends that NSF eliminate *Subrecipient Monitoring* from the core functional areas and incorporate subrecipient monitoring aspects of the reviews within the other core functional areas (Recommendation 3). A detailed analysis of the core functional areas and responses to specific questions raised by the B&O Subcommittee about certain other topics is included in Appendix E of this Report.

Bullet 3 – "*The composition of the TBSR review team, including range of experience and skills of the participating NSF staff and NSF contractors, and their respective roles and responsibilities in the TBSR review*"

The composition of the review team is a critical element for the conduct of any TBSR. The TBSR is an essential NSF function and the agency's team members are basic to the review process. The TBSR activity can well contribute to the development of *all* the individuals involved. NSF personnel bring a wealth of experience to the topics covered by the TBSR and their participation in the TBSR will foster better understanding and relationships among both NSF personnel and the employees at the facility under review. Non-NSF team members are able to contribute valuable expertise from other business sectors during the review and report writing process and the reviewed institution's own review participants will gain new insights about beneficial management processes and communication methods that well serve the NSF in properly carrying out its oversight function.

The Subcommittee feels that the TBSR reviews would be significantly enhanced by the inclusion of non-NSF personnel on the review teams. Possible sources of review team members include civil servants from other agencies with experience in large facility projects, e.g. DOE and NASA. The NSF FFRDCs and "mature" facility projects are also a good source for review team members. Personnel from the FFRDCs can also be of help in areas such as human resources and accounting where, sometimes, the applicable rules and regulations differ among government, universities, and nonprofits. Individuals from the FFR DCs are able to contribute significant expertise and "on the ground" experience. In addition, in certain instances, it might be appropriate to include senior administrators from universities similar to the one being reviewed.

Even with the inclusion of non-NSF personnel, however, it is understood that the ultimate responsibility for the conduct of the TBSR and the resulting report must lie with the NSF. The subcommittee provides a recommendation to this effect (Recommendation 4): The Subcommittee recommends that NSF add appropriate non-NSF subject matter experts to the TBSR review teams.

<u>Bullet 4</u> – "*Whether best practices used to monitor and evaluate business operations of awardee institutions are fully captured in the TBSR Guide*"

The answer to this question is inter-connected with many of the general comments made by the Subcommittee in this report. Our view is that there is a general understanding of best practices in the Guide and this understanding is both recognized and observed in the requirements of the TBSR Guide. However, the implementation of best practices is often obscured by the directions/requirements format used for the Guide sections. This point is elaborated in specific comments provided by the Subcommittee in our report section titled "Part II: Core Functional Area Review Modules".

<u>Bullet 5</u> – "*Examination of one or more representative TBSR reports and descriptions of follow-up activities resulting from the report(s)*"

At the time of the TBSR Subcommittee meeting that provided NSF process information and generated Subcommittee discussion for the production of this report, the NSF had not yet completed a TBSR of an NSF awardee conducted under the current Draft *TBSR Guide* document. For this reason, the Subcommittee could not be provided with a TBSR Report for their consideration, hence was not able to comment on this bullet topic. In this circumstance, the Subcommittee notes that its review of the TBSR process is possibly somewhat premature, at least in its ability to comment on a TBSR report and follow-up activities. As apparent above, the Subcommittee did address the other bullets provided by NSF.

The TBSR Guide and Specific Review Guide Content

The March 27, 2007 version of the draft *TBSR Guide* was supplied to the subcommittee at the start of the March 28-29, 2007 meeting and was used as the basis of the subcommittee's observations and comments in this section. Furthermore, because the Guide has both *Overview* sections (Part I) and specific sections on *Core Functional Area Review Modules* (Part II), this section is arranged to first provide a summary of the subcommittee's review of the overview section and then each of the core functional area sections. Detailed analysis and comments of these sections are provided in Appendix D of this report. These detailed "edits" of the Guide are done differently, section by section, depending on the nature and extent of the changes that the Subcommittee deems necessary. So, for example, one section may contain comments on what needs to be changed, while another section may actually be "rewritten" to show how the final text should appear. The Subcommittee feels that the contractor that NSF hired to complete the NSF Draft Guide can take the material we provide and make the recommended improvements .

General Observations on the Guide and Its Philosophy

The Guide functions as the roadmap of the review process for review team. It provides a general overview of the TBSR process and then focuses in subsequent parts on the core functional areas that are to be examined by the review team. Each section provides an introduction that describes the nature of the core functional area. Reviewers are then provided with a list of relevant federal regulations and system requirements that provide benchmarks which the team should use in their analysis of the particular core functional area. Next the Guide provides reviewers with the objective of the review of the specific core functional area. This is followed by a listing of the areas of concern (which are critical elements of the core functional area that if not properly managed could cause serious management problems for a major NSF facility) and the subject area information (which provides the detailed "schedule" of items for review under the core functional area).

The Guide is very well conceived and written; it is an excellent roadmap for reviewers. Its structure ensures that the review team will conduct a thorough and comprehensive review by providing specific instructions on the scope and content of each review segment. However, as it stands now there are a number of specific points that the Subcommittee feels should be addressed. In general, there is some redundancy in the matter covered among the various core functional areas. For example, the section dealing with the core functional area, "Planning and Budget Section Review," lists five "Areas of Concern" dealing with 1) written budget policies and procedures, 2) financial reporting, 3) personnel policies and procedures, 4) project cost accounting system, and 5) unallowable costs. Only the first one really deals specifically with the core functional area. The others fall under other core functional areas. The Subcommittee recognizes what the original writers of the Guide were attempting to do. Obviously, one cannot have a successful planning and budget process unless one has, for instance, a clear personnel policy so that one can accurately budget the effort of individuals and a clear costing policy on unallowable costs so that one does not budget entertainment costs. Yet, listing items 2-5 above as "Areas of Concern" invites the reviews assigned to this particular core functional area to re-review material that is already being review by other members of the review team. There are other examples of overlap and repetitiveness that are identified in the detailed section reviews of the Guide contained in Appendix E.

In addition to the Guide, the NSF provides the review team with a set of Worksheets that pull out specific test items that are called for in the Guide. The Subcommittee will not specifically address these, since we feel that the contractor hired by NSF to write the Guide should be able to rewrite the Worksheets in accordance with the "edits" that we recommend for the Guide.

Comments on Specific Sections of the TBSR Guide Document

TBSR Guide Part I: Overview Section
The Process Overview section is adequate and simply needs to be harmonized with the recommendations that are made elsewhere in this report. This will require writing some new material (for instance a section on the recommended "scoping process" mentioned previously in this report) and editing others. This section needs to clarify how the review is to be conducted when the facility is more or less a stand-alone entity and when the facility is a unit within a much larger entity, for instance a major research university. The Overview should also clearly address the matter of how the review teams should treat existing audit findings and recent reviews that have recommended certain systems. For instance, if the institution has undergone an A-133 audit, the review team should obtain a copy of it, review it carefully, and if it finds questioned costs or weaknesses in business or internal control systems (or perceived weaknesses in the audit itself), ask to see the Audit team's working papers as is allowed under A-133. Only if questions or concerns persist after reviewing the working papers, should the matter be subject to full review by the site team – otherwise a brief discussion with the institution on the topic of concern should suffice. If a federal cognizant agency has conducted a procurement system review or has approved an institution's travel policy, then the review of those systems should be minimal and of a confirming nature. Finally, the tone of the whole TBSR can be properly set in the Overview, ensuring that organizations undergoing the review will view the process as helping them develop best practices for managing NSF major facilities and not as an audit looking for weaknesses of which to be critical or on which to base disallowances of costs.

TBSR Guide Part II: Core Functional Area Review Modules
In each of the Core Functional Area Review Modules, the Subcommittee provides its commentary. Depending upon the nature of the module, the Subcommittee may provide specific answers to the questions provided by NSF or, provide commentary text that is relevant to that core area. In addition, and for the benefit of NSF TBSR Guide drafters and editors, the Subcommittee attaches Appendix E, in which specific edits are offered that will, in the opinion of the Subcommittee, provide useful improvement of the specific Guide text content in the core functional areas.

A. General Management System Review

1. *Is the introduction appropriate?*
The introduction to this section is likely to cause some confusion since there is overlap with other areas of the review Guide. The discussion regarding internal controls may more appropriately belong in the financial management or financial reporting sections since in most cases documentation of the internal controls is contained in the financial system. Additionally, while strategic planning can be an effective management tool, it is not a requirement and is more of a program function.

2. *Are the reference documents appropriate and complete?*
The OMB Circulars cited are more relevant to other review sections.

3. *Are the objectives appropriate?*
The objectives are generally appropriate though, again, inclusion of internal controls in this section is questionable and strategic planning is not a requirement and may more appropriately be reviewed by the program side of NSF.

4. *Is the focus of the objectives clear?*
Yes.

5. *Areas of concern. Are these the appropriate standards? Are they stated in positive terms?*

Several of the areas cited overlap with other sections. It is essential that areas of overlap be eliminated before the actual TBSR is conducted.

6. *Desk Review Documentation Request*
There is considerable overlap among the documentation listed. There is also considerable overlap with other review sections.

7. *General Management System -- Questions to Consider*
The questions are overly broad and overlap with other TBSR areas. For example, A-133 audits are reviewed in several other sections. This section should focus on non-financial considerations, especially ethics, conflict of interest and regulatory compliance.

B. Planning and Budget System Review

1. Is the introduction appropriate?
The introduction should be revised to sharpen the focus of the Planning and Budget Systems Review section. Is the focus on the planning and budget systems of the large facility or on that of the awardee institution? There is considerable overlap between Section 7, Planning and Budget System Review, and Section 8, Financial System Review.

2. *Are the reference documents appropriate and complete?*
The reference documents listed are appropriate. The subcommittee recommends the addition of the most recent edition of the following NSF documents: "Cooperative Agreement Terms and Conditions" and "Cooperative Agreement Financial and Administrative Terms and Conditions. These are particularly relevant to a review of projects funded under NSF Cooperative Agreements.

3. *Are the objectives appropriate?*
The objectives for this section overlap to a considerable extent with the objectives of the Financial Review and Financial Reporting sections. Of the five objects listed in this section, only the first two are clearly focused on the planning and budget processes. The remaining three objectives clearly duplicate objectives appropriate to the Financial Review and Financial Reporting sections. This potential problem can be addressed during the "scoping" process where decisions can be made with regard to the extent to which each of these objectives need to be addressed and how best to accomplish that in the TBSR review.

4. Is the focus of the objectives clear?
As currently written, the focus of the objectives vis-à-vis large facility or awardee institution is not clear. This can be addressed in the next revision.

5. Areas of Concern. Are these the appropriate standards? Are they stated in positive terms?
The areas of concern for this section reflect a considerable overlap with the concerns of the Financial Review and Financial Reporting sections. At least four of the five areas of concern would be applicable to other core functional areas. This potential problem can be addressed during the "scoping" process where decisions can be made with regard to the extent to which each of these areas of concern needs to be addressed and how best to accomplish that in the TBSR review.

6. Desk Review Documentation Request.

Again there is considerable overlap with the documentation requests in the Financial Review and Financial Reporting sections. The documentation request should be carefully reviewed and paired down to those documents that are essential for a meaningful review of the planning and budgeting processes.

7. Planning and Budget Process – Questions to Consider
This section includes a "laundry list" of all the possible questions that might be raised in the course of a review of the planning and budgeting system. Unless the planning and budgeting functions represent significant problems for a particular institution, it is hard to imagine the need to go into this topic in such detail. Also, it should be pointed out that in order to have obtained a large facility award from NSF in the first place, the awardee organization had to have demonstrated some capacity for planning and budgeting at the time of proposal submission and negotiation of the Cooperative Agreement.

It would be beneficial for these questions to be reviewed and carefully edited so that the resulting list of questions reflects the relative importance of the questions in terms of (a) what is required by regulation and policy, (b) what might represent good management practices, and (c) what would be nice to have if adequate time and resources were available.

C. Financial System Review

The TBSR Guide section on Financial Management clearly gets to the very heart of the total business system review, and thus must be the most comprehensive section. Yet at the same time, the financial management system is probably the most audited aspect of an organization's operations. Thus, the section must present a balance between a call for close inspection and reliance on previous audits and reviews.

The recommended scoping exercise will benefit greatly the review of the financial management system. First, the review team needs to make a determination of what aspects of the financial management review need to encompass the organization as a whole and which need specifically to be addressed to the facility under review. This determination will depend primarily on the nature of the organization and its relationship to the facility. Next, the organization needs to provide the results of recent audits and reviews to the team during the preparation period. The team should review these and then ask for follow-up information on any questioned areas. The review team should ask the organization's A-133 auditors for their working papers on any areas where questions arise or where there are reported weaknesses. Once this is done the team can decide what particular aspects of the financial management system still need close inspection. Additional documentation can be requested for these and they will probably be the focus of attention during the site visit.

This section needs to focus exclusively on financial management and should not get sidetracked into personnel issues, guidance on what indirect costs are, or the differences between consultants and subcontractors. Attention should be given to ascertaining if the organization has proper internal control procedures in place to determine if costs are allowable, reasonable, allocable and consistent. Does the organization have a system that certifies effort in an accurate and timely fashion? Is the accounting system robust enough to manage the volume of activity and does it provide enough access for management to provide appropriate oversight?

This section currently captures all the important material needed to assess the financial management system, but significant editing will be required to remove extraneous material and make it more focused. Specific recommendations are included in Appendix E.

D. Financial Reporting

This section is well written and provides the information needed to determine if the controls are in place to properly address financial reporting. As noted below the review should take into account previous reviews and acknowledge that this is often an institutional responsibility. Documentation to be accumulated for the desk review should take into consideration previous reviews and the TBSR reviewer should remain flexible in accumulating needed documentation.

For many facilities, this section would apply to awardee institution rather than the facility. This should be acknowledged in the guide.

Scoping of this section of the review should take into consideration other reviews and audits (internal and external) which have been performed recently. For example, organizations subject to A-133 audits may have had this area reviewed in this audit. In this instance the appropriate TBSR team member should discuss and/or obtain the results of this audit, document this and adjust the scope of review of this section accordingly.

Section 9.5.1 describes documentation that should be obtained for the desk review portion of the review. If this documentation is needed then the guide should recognize that often written documentation does not exist. In these instances, the reviewer should work with the appropriate facility team member to either receive written descriptions or attempt to gather and document this information via telephone interviews.

E. Procurement and Acquisition System Review
It is recommended that the title of Section 10.0 of the TBSR Guide be renamed "Procurement System Review" in lieu of "Procurement and Acquisition System Review" to be more representative of the language in the primary source document, OMB Circular A-110, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations". Subpart C, Sections 40 through 48 set forth the "Procurement Standards" for use by recipients in establishing procedures for the procurement of supplies and other expendable property. The terms "procurement" and "acquisition" are often used synonymously, however, "acquisition" is generally broader in scope and includes the establishment of needs, the development of requirements, etc., which are not covered in this section of the TBSR guide. Since the TBSR process is being developed to assess systems at NSF funded facilities, the agency should consider whether it wants to include those aspects of acquisition in the process.

Independent audits under OMB Circular A-133 seldom provide in-depth reviews of recipient procurement systems. Despite this, the TBSR team should review the A-133 audit for any procurements system findings or indication that the auditors examined this area. For those facilities that are stand alone; i.e. not an organizational element of an educational institution or other non-profit organization that receives federal assistance or contract awards, the TBSR may provide the only independent review of the procurement system and therefore should be through and comprehensive. For facilities that are elements of federally funded organizations, the TBSR team should rely to the maximum extent possible on other federal reviews of the procurement system. If the organization is assigned an Administrative Contracting Officer (ACO) with the Office of Naval Research or the Defense Contract Management Agency, it is likely that the procurement system has been subject to a Contractor Procurement System Review and/or other surveillance. In addition to asking the organization for copies of those reviews, the TBSR team should consult with the ACO regarding the status of the organization's procurement system; i.e. whether it is approved, whether prior recommendations have been implemented, etc. In all cases, the TBSR team should contact the cognizant federal agency for audit and audit resolution to inquire whether there have been any pertinent reviews or audits or whether any issues have arisen with the organizations procurement system. These inquiries should be made in a coordinated manner with those related to other sections of the TBSR.

In reviewing and redrafting this section, some general and specific issues were noted. The references in this section include several Code of Federal Regulation citations. Some were eliminated entirely as being not applicable. Those included 41 CFR 101-39, "Federal Property Management Regulations-Interagency Fleet Management Systems" and 45 CFR Ch 6§602.3 and 602.36, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments"; Definitions and Procurement sections respectively. References to OMB Circular A-133, Section 210, "Subrecipient and Vendor Determinations" and Subpart D, "Federal Agencies Pass-Through Entities" were not deleted because they help define the differences between procurements and subawards and the differences between the recipient's responsibilities regarding procurement and monitoring of subawards. The TBSR team must ensure that it does not confuse these areas. This section of the guide included a "listing of subawards" among those items to be requested prior to the on-site TBSR. NSF should consider deleting this listing from its requested material unless the listing will be used to review subrecipient monitoring, which should not be a part of the procurement system review. Lastly, the references to 2 CFR 215 were changed to OMB Circular A-110. While the CFR citation is correct (the Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations was relocated to 2 CFR, Part 215), other sections of the TBSR Guide referenced A-110. If the CFR citation is preferred, it should be used consistently throughout the guide.

As a general comment, the redraft attempts to eliminate redundancy caused by the format used in this and other sections of the TBSR Guide. This was not possible and likely will not be without alteration of the subsection format used. It is suggested that NSF consider adjusting the format to line up more consistently with the format of the Procurement Standards in Sections 40 through 48 of OMB Circular A-110.

F. Subrecipient Monitoring

This should not be considered a core functional area and therefore should be removed. It is not a function of an institution at all, but an activity that takes place as a result of the organization issuing a subaward to a subrecipient. Further, it may not even be that big of an issue on major facility awards, unless the facilities are granting subawards to participating institutions.

G. Property and Equipment

This section is comprehensive and in the opinion of the subcommittee goes beyond what is reasonable to determine that NSF funds, property and equipment are being appropriately managed.

For many facilities, this section would apply to awardee institution rather than the facility. This should be acknowledged in the guide.

Scoping of this section of the review should take into consideration other reviews and audits (internal and external) which have been performed recently. For example, organizations which have in excess of $1 million in government property receive a property system review from Office of Naval Research (ONR). In addition, organizations subject to A-133 audits may have had the area reviewed in this audit. In these instances the appropriate TBSR team member should discuss and/or obtain the results of this audit, document this and adjust the scope of review of this section accordingly.

In addition, the following clarifications and deletions are recommended by the subcommittee.

1. Section 12.4 Areas of Concern – Included in this area is the "failure to exclude claimed direct equipment for the allocation base." The TBSR review should include this if the organization's

cognizant agency for F&A matters had not reviewed this area during review of the most recent F&A rate. Many organizations subject to the TBSR review have other federal funding and the NSF purchased equipment may represent a portion of equipment purchased with federal funds. In these instances, it would seem that the cognizant agency would have a larger interest in ensuring that federally purchased equipment is not included in the allocation base.

2. Section 12.5.1 Desk Review Documentation Request – It should be clarified whether the information requested in this section is for the facility or the institution. Also, the guide should be reviewed carefully so that any duplication of requested information such as the financial statement is eliminated.

3. 12.5.3 Acquisition and Disposition – Some of the bullet points in this section appear to ask the same question in different ways and this should be reviewed and to the extent possible eliminated. For example, the first and the eighth bullets are redundant.

The tenth bullet should be rewritten to recognize that the organization's cognizant F&A agency may be in the best position to provide information relating to this area.

H. Human Resources System Review

1. *Is the introduction appropriate?*
Yes.

2. *Are the reference documents appropriate and complete?*
The list of reference documents is extensive and it is questionable as to whether all the documents listed will have relevance in individual TBSR's. The focus of the TBSR should be on those laws and regulations contained in the governing grant or agreement. The subcommittee cautions reviewers about commenting on compliance with laws under the purview of other federal agencies, for example, the Employment Retirement Income Security Act (ERISA) and the IRS.

3. *Are the objectives appropriate?*
Yes.

4. *Is the focus of the objectives clear?*
The focus of the objectives is clear, however, the rest of this section goes significantly beyond this focus.

5. *Areas of concern. Are these the appropriate standards? Are they stated in positive terms?*
In general, the standards are appropriate. However, the standards are not stated in positive terms and the meaning and/or the impact of some of the standards is not obvious.

6. *Desk Review Documentation Request*
The amount of documentation listed is overwhelming. Again the subcommittee recommends that the TBSR focus on those areas of most relevance to the NSF. This would include compliance with any HR related terms and conditions demonstration of appropriate compensation and benefit levels, and training and development processes.

7. *Human Resources System -- Questions to Consider*

As in other sections, this is a "laundry list" of possible questions. A more manageable and appropriate review would focus on the organization's HR related policies and procedures, any areas of concern (such as retention or training), and on any recent EEOC complaints or employment related lawsuits.

Key Conclusions and Recommendations

The discussion topics considered during the subcommittee meeting engendered a number of *key conclusions*, generally along the lines of commentaries by meeting participants that were refined into agreed-upon subcommittee observations. These subcommittee observations resulted in the key conclusions reported below. In each of the topical sections of this report, the related issues are addressed and the subcommittee's responses supplied. The key conclusions enumerated here emerged from the subcommittee's analysis and were identified as key conclusions during the preparation of this report.

Key Conclusions of the Subcommittee:
The subcommittee agreed upon the following *key conclusions* during our review of the TBSR concept, TBSR review process and specific content promulgated in the TBSR Guide. The associated issues are commented upon in the report text; the key conclusions gathered here for emphasis. The key conclusions are provided in no specific priority order. Also, the reader should consult the summary comments to the bullet points in the Review Charter given by NSF to the Subcommittee. Our key conclusions are:

1. There is significant confusion caused throughout the TBSR because of lack of specificity in the target of the review and the different elements thereof. It would be helpful to differentiate, in a clear fashion, the overall organization as distinguished from the NSF facility that it manages. In some instances, when the facility is synonymous with the management organization (as in a not-for-profit entity that exists to provide legal status and management of the facility), such differentiation will not be necessary. However, if a university is involved it will almost always require a bifurcation of TBSR review responsibilities between the institutional policies and procedures (Sponsored Programs Office) and the NSF major facility's roles and responsibilities in operating under those institutional policies and procedures.

2. There are certain documents that are requested repeatedly throughout the TBSR Guide sections (Organization Chart, Financial Statement, etc.). The subcommittee advocates that these should be pulled from the sections and included in a common section which is solicited one time and then used by the TBSR team as needed. Our concern is that, without this mechanism, a facility/institution will be requested to provide these repeatedly by sub-groups within the TBSR team.

3. The NSF TBSR review team must work with and rely heavily on the institution's A-133 audit, applicable internal audits of the organization, and reviews/approvals of an organization's business systems by a federal agency (for example, a contractor purchasing system review (CPSR) or a property control system analysis (PCSA)). If the audit is conducted by a public accounting firm (as opposed to state auditors) it is imperative that there at least be communication with the auditors. Unless there is some reason to suspect that the A-133 audit was insufficient, the review team should simply spot check some key areas. Under federal regulation, auditors that perform the A-133 must make working papers available to other federal audits and reviews. If there are questions raised in the A-133, the team should first try to resolve them by obtaining and reviewing the working papers.

4. The organization, if it is under A-21, should have a DS-2. Perhaps the Organization, if it is under A-21 and if it has in excess of $25 million in federal expenditures, will have a DS-2. The TBSR team needs to inquire as to whether or not the DS-2 has been audited and approved by the cognizant federal agency. Changes to the DS-2 are required to be submitted and approved as well, so checking the status of DS-2 revisions is important.

5. The subcommittee discussed in its meeting that the whole issue of taking samples is extremely complex. We urge here that there should be a paragraph or two in the introductory information, or in an appendix, to address this issue. "Fishing trips" are not part of the NSF mission for TBSRs and must be avoided. This is a review intended to help the institution become a better steward of federal funds as well as to provide necessary information for carrying out the agency's oversight role. If

sample instructions are not carefully given to the TBSR team, individual team members could potentially exceed their expected review roles.

6. The subcommittee believes that Subrecipient Monitoring should not be considered a core functional area. It is not a management function of a facility-managing institution at all, but an activity that takes place as a result of the organization issuing a subaward to a subrecipient. It will, at any rate, not be a significant issue on major facility awards unless the facility is granting subawards to participating institutions.

7. The subcommittee discussed the merits of various frequencies of TBSR review. The cost in time and effort for both the reviewed institution and the agency inevitably must be balanced against the important need of NSF for timely oversight of the facility's business systems and practices and the agency's need to answer questions about these. In view of this consideration, we concluded that TBSRs should generally be conducted once every 5 years but recognize that circumstances may dictate a period as short as 3 years. Such circumstances might include: evidence that significant findings in the most recent TBSR have not been fully addressed by the facility; significant changes to the mission of the facility were implemented since the last TBSR; wide swings in the funding levels at the facility have occurred since the last TBSR; evidence is present that large scale changes in the management staff have occurred since the last TBSR; or other significant changes. This conclusion generates a subcommittee recommendation that advocates a 5-year review frequency but that allows for the addressing of important events that could shorten the review interval.

8. The Subcommittee believes that the word "Total" in the title of TBSR is misleading at best and threatening at worst. Consequently, we believe that elimination of "Total" from the title will more accurately reflect the nature of the pre-scoped reviews as well as the actual stated intent of the NSF about the nature of these reviews. We, therefore, add a specific recommendation to this effect in our report, strengthening the position that a pre-review scoping process will target business systems reviews on those topics most in need of being addressed for the particular facility under consideration.

From the key conclusions above, and consideration of the associated issues, the Subcommittee offers some recommendations to NSF management that we feel support a best-practices management approach to the TBSR function.

Recommendations of the Subcommittee:

1. The Subcommittee recommends that NSF incorporate a Scoping Activity, prior to each TBSR, that matches the general goals of the TBSR with the nature of the reviewed facility and the oversight needs of the NSF.

2. The Subcommittee recommends that the focus and agenda of all TBSRs be matched clearly to the nature of the reviewed facility and whether it is managed within a research university or by a dedicated not-for-profit corporation.

3. The Subcommittee recommends that TBSR reviews be generally set at 5 year intervals but allows for a review as soon as 3 years later if driven by important, relevant changes in the facility.

4. The Subcommittee recommends that NSF eliminate *Subrecipient Monitoring* from the TBSR core functional areas and incorporate any subrecipient monitoring aspects of the review within the other core functional areas.

5. The Subcommittee recommends that NSF add appropriate non-NSF subject matter experts to the TBSR review teams.

6. The Subcommittee recommends eliminating the redundancy of elements cited as "areas of concern" among the core functional areas.

7. The Subcommittee recommends that all documents requested from the reviewed organization be listed together in a separate section.
8. The Subcommittee recommends that NSF re-title Section 10 of the Guide from "Procurement and Acquisition System" to "Procurement System".
9. The Subcommittee recommends that NSF change the title, "Total Business Systems Review", to the more accurate and appropriate, "Business Systems Review".

Appendix A
Charter of the TBSR Subcommittee

__CHARTER – Total Business System Review (TBSR) Subcommittee__

The TBSR Subcommittee will be established to examine the efficacy of the policies and practices comprising the TBSR, including:

The goals and procedures defined within the TBSR Guide:

- NSF plans and methods for selection of facilities to be evaluated through by the TBSR process, the frequency of review, and timing of the review within the life-cycle stage and/or award cycle of the facility;

- The range of topical areas included in the TBSR;

- The composition of the TBSR review team, including range of experience and skills of the participating NSF staff and NSF contractors, and their respective roles and responsibilities in the TBSR review;

- Whether best practices used to monitor and evaluate business operations of awardee institutions are fully captured in the TBSR Guide; and

- Examination of one or more representative TBSR reports and descriptions of follow-up activities resulting from the report(s).

The Subcommittee will report to the Business and Operations Advisory Committee on the appropriateness of the goals of the TBSR and the degree to which they focus on the risk factors the TBSR process is intended to address, the adequacy of the current TBSR process as a means for achieving these goals, and it will offer recommendations that NSF can implement to enhance the TBSR process. The Subcommittee may also comment on related topics for which it deems its advice to be of value to NSF.

The Subcommittee is an *ad hoc* committee that will be convened for a single meeting, at NSF, to examine and report on these issues. It will report its findings in writing, via the Subcommittee Chair, to the Business and Operations Advisory Committee. The Subcommittee shall have approximately five members. The chair of the Subcommittee shall be a member of the Business and Operations Advisory Committee. The Business and Operations Advisory Committee will approve the membership of the Subcommittee. The Head of the Office of Budget, Finance, and Award Management shall make nominations for membership to the Subcommittee.

Appendix B – TBSR Subcommittee Meeting Agenda

NSF Total Business Systems Review (TBSR) Subcommittee Agenda
National Science Foundation Headquarters
4201 Wilson Blvd, Arlington, VA
March 28, 29, 2007

Wednesday, March 28, 2007   **NSF Room 470, Stafford I Bldg.**

1:00 pm	Subcommittee Executive Session	
1:30 pm	Welcome, Introductions and TBSR Subcommittee Charge	M. Coles / T. Cooley
2:00 pm	NSF's View of the TBSR process and products,	B. Mannion
	Framework for Development of the Draft Guide TBSR Process	
2:30 pm	Booz Allen Discussion on Guide Development	Booz Allen Hamilton
2:45 pm	Discussion of Charge and Subcommittee Questions to NSF	All
3:15 pm	Break and Refreshments	
3:30 pm	Lessons from the TBS Review at NOAO	
	Team Leader	W. Thomas
	Team Member	M. Dickman – HRM
	Program Officer	C. Foltz – AST
4:00 pm	Lessons from the UCAR TBSR Review 2002	K. Schmoll
4:30 pm	Discussion of Cal Tech TBS Review of Guide,	
	Issues and questions	R. Seligman
4:45 pm	Discussion of Presentation issues and questions	All
5:00 pm	Subcommittee Executive Session	
5:45 pm	Adjourn session	
6:30 pm	Subcommittee Dinner with invited guests	**Layalina Restaurant (703.525.1170)**

Thursday, March 29, 20   **NSF Room 470, Stafford I Bldg.**

8:15 am	Refreshments
8:30 am	Subcommittee Executive Session
9:00 am	Discussion of Presentation issues and questions All
9:15 am	New Topics for discussion as needed All
10:00 am	Executive Session with NSF officers
10:45 am	Subcommittee Executive Session
12:00 pm	Subcommittee working lunch
1:00 pm	Subcommittee Report and Recommendations Drafting
2:00 pm	Closeout with NSF
2:30 pm	Adjourn

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Appendix D
Detailed Commentary on Bullet 2 of the Review Charter

Detail on Bullet 2 regarding the selection of the core functional areas

In order to test the validity and completeness of the core functional areas included in the TBSR, the Subcommittee compared the core functional areas to other references that are used to "define the universe" of a total system review.

OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," (or A-102 for "Grants and Cooperative Agreements with State and Local Governments") is the primary benchmark for compliant systems and is issued by the Office of Management and Budget. The purpose of the Circular is to set forth "standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations." It is important that the NSF adhere to these standards in shaping the TBSR Guide.

OMB Circular A-21, "Cost Principles for Educational Institutions" (or A-87 for "State, Local and Indian Tribal Governments" or A-122 for "Non-Profit Organizations), provide information on cost accounting and the calculation of indirect or F&A costs. The purpose of the cost principles is "for determining costs applicable to grants, contracts, and other agreements with educational institutions." The principles "deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project." The NSF needs to configure the TBSR in compliance with these cost principles.

Another essential guide to structuring the TBSR must be the audit regulations spelled out in OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." It carries out the directive established by Congress in the Single Audit Act of 1984. The purpose of A-133 is to set forth "standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards." An especially important text for those who are participating in the TBSR to understand is the Compliance Supplement to A-133. This is crucial for two reasons: first it establishes a methodology for reviewing the kinds of policies and internal controls that the NSF is interested in examining at entities subject to the TBSR but it also points out the level of detail and scrutiny that these same institutions are already subject to under the Single Audit Act. The Compliance Supplement can serve as a guide and a boundary restriction.

Finally, another very helpful document is the well-established "Managing Externally Funded Research Programs: A Guide to Effective Management Practices" published by the Council on Governmental Relations. The Guide was originally published in 1989 and has served the higher education community for nearly 20 years by providing a benchmark for best practices. The Guide gives three levels of recommendations for good management practices. First are Principles that "state the general characteristics; i.e., they are overall statements of standards of quality management." Next are Practices that "are measurable conditions which highlight crucial components in the attainment of each principle, but not necessarily all components." Finally, are Indicators that "are suggested measures to use when examining whether effective practices are being employed or outcomes are being achieved?"

By way of illustration, we offer the following excerpt from the Guide:

Principle II-2. Administrative Requirements

The institution has trained personnel who are knowledgeable about sponsor regulations, requirements and procedures.

> **Practice A**. Roles and responsibilities are clearly delineated for research, administrative and financial personnel involved in sponsored programs.
>
> > **Indicator 1**. Principal investigators accept management responsibility for the awards which the institution receives on their behalf.
> >
> > **Indicator 2**. Training opportunities are available for administrative personnel in operating units as well as central areas regarding the administrative and financial requirements of awards (including the appropriate OMB circulars).

The Guide might not only provide the NSF with confirmation of the nature and range of topics that a thorough review might include, but also a framework or structure for the TBSR Guide. COGR has presented an excellent outline for self-study that institutions can follow in examining the thoroughness of their research administration policies and procedures. Since the goal of the TBSR is to assist institutions in doing this same kind of internal review, with an external "consultant and evaluator" team assisting them, the NSF might want to consider the user-friendly presentation of the COGR Guide. It avoids the aura of audit and yet easily covers the waterfront.

What we present next is a matrix that compares the range of topics presented in the TBSR with the range of topics that are covered in the major documents identified above.

MATRIX COMPARING CORE FUNCTIONS OF THE TBSR WITH MAJOR TOPICAL AREAS COVERED BY FEDERAL REGULATIONS AND INDUSTRY STANDARDS

TBSR CORE FUNCTIONS from GUIDE	2 CFR, Part 215 (OMB Circular A-110)	2 CFR, Part 220, Appendix A (OMB Circular A-21)	OMB Circular A-133	A-133 COMPLIANCE SUPPLEMENT	COGR EFFECTIVE MANAGEMENT PRACTICES
6.0 General Management Systems Review			Section .300: Auditee Responsibilities	Section E – Eligibility	Principle II Sponsored Program Management Principle IX Protection Regulations
7.0 Planning and Budget System Review	Subpart C, Section .25 – Revision of Budget and Program Plans	Section C 1-4: Composition of Total Costs, Allowability of Costs, Reasonable Costs, Allocation of Costs; C 10: Consistency in estimating, accumulating and reporting costs		Section B – Allowable Costs / Cost Principles	Principle II-3 – Preaward and Proposal Requirements and II-5 – Award Management
8.0 Financial System Review	Subpart C, Section .21 – Standards for Financial Management Systems	Section C 1-4, 10 and 11-12: Consistency in Allocating Costs Incurred for the Same Purpose, Accounting for Unallowable Costs; Section D: Direct Costs; Sections E-H F&A Costs; Section J: General Provisions for Costs	Section .300: Auditee Responsibilities	Section B – Allowable Costs / Cost Principles; Section C – Cash Management; Section H – Availability of Funds Section J – Program Income	Principle III – Financial Administration
9.0 Financial Reporting	Subpart C, Section .52 – Financial Reporting		Section .310: Financial Statements; .320 Report Submission	Section G: Matching, Level of Effort; Section L: Reporting	Principle III-1 Financial Accounting and Reporting
10.0 Procurement and Acquisition System Review	Subpart C, Sections .40-.48: Procurement Standards, Recipient Responsibilities, Codes of Conduct, Competition, Procedures, Cost and Price Analysis, Records, Contracts				Principle IV Procurement
11.0 Subrecipient Monitoring	Subpart C, Section .51: Monitoring and Reporting		Section .210: Subrecipient	Section M: Subrecipient	

	Program Performance and Section .26: Non-Federal Audits		and Vendor Determinations	Monitoring	
12.0 Property & Equipment	Subpart C, Sections 30-37: Property Standards, Insurance, Real Property, Federally-Owned and Exempt Property, Equipment, Supplies, Intangible Property, Property Trust Relationship			Section F: Equipment and Real Property Management	Principle V Management of Equipment
13.0 Human Resources System Review				Section D – Davis-Bacon Act	Principle VI Human Resources

The matrix demonstrates that the list of topical areas currently contained in the TBSR belong there. Their inclusion is confirmed by a comparison with the major topical components of both regulatory and industry-standard primary documents.

The B&O Subcommittee has asked whether or not certain other topics should be included, specifically, "should the TBSR encompass:

- IT Security
- Real Property
- Environmental Safety and Health
- Equal Employment Opportunity
- Subrecipient Monitoring?"

In terms of the Circulars that are included in the matrix above, Real Property management is a significant component of both A-110 and the A-133 Compliance Supplement. It could easily be included in the Section 12, Property & Equipment. However, the decision to do so needs to be contingent on whether or not real property (specifically real estate) is a consideration in regards to the facility in question. Likewise, subrecipient monitoring is also a critical item in the A-133 Compliance Supplement. It is currently listed as a core functional area. In our estimation, it does not rise to that level. It could quite easily be folded into Section 10 on Procurement, even though it has to do with subawards (financial assistance) and not subcontracts or purchase of services agreements (contracts).

In regard to information technology (IT) security, this is a topic clearly worthy of consideration when reviewing a business system. However, it needs to be folded into another section. Since IT forms the foundation of most financial systems and it is the security of those systems (as well as of the technical data systems) that would pose the largest security threat, it would make sense to include this as a subtopic in Section 8 Financial Systems.

Since compliance with Equal Employment Opportunity is a matter of law, it could easily be checked in Section 13 on Human Resources.

The B&O Subcommittee also raised the issue of Environmental Safety and Health. We would use this item as an opportunity to raise several other items. The COGR Guide that has been mentioned above includes Protection Regulations as Principle IX (the equivalent of a "core functional area" in the TBSR). Under that Principle is "Environment, Health and Safety/Security" as a stand alone area. In reviewing the "practices" and "indicators" contained therein, we feel that this topic should be included. However, this Principle also includes three other major areas. Two others, human research subjects and animal experimentation, may not normally be relevant to the review of an NSF major facility. However, there is a section on Facilities (Principle IX-4) which should be considered along with the section on environment, health, and safety.

There are four other Principles that are included in the COGR Guide that are worthy of some consideration in the TBSR because they represent critical areas of research administration. These are:

1. Electronic Research Administration – An institution's or facility's access to and facility in using electronic tools for managing grants and research is signal in its overall capacity to effectively administer federally sponsored programs.
2. Research Integrity – scientific misconduct (including for NSF the misappropriation of federal funds) has historically been a matter of grave concern for the Inspector General of the NSF. The

effective monitoring of research integrity, of receiving and handling whistleblower allegations, and the effective management of cases of scientific misconduct are all critical elements of a total business system.

3. Intellectual Property – All recipients of federal grants are responsible for effectively disclosing and managing intellectual property in accordance with the Bayh-Dole Act. This item used to be the subject of federal agency audits/reviews, but these are rarely done now. It might therefore be reasonable to include this aspect of research management in the TBSR.

4. International Issues – Export control (including deemed exports – i.e., the use of export controlled equipment by foreign persons), managing visas for employees and visiting international scientists, and international transactions and tax matters could all be issues of concern to the management of a major facility.

These four topical areas could perhaps be integrated into the existing core functional areas: ERA into financial management; Research Integrity into General Management Systems; Intellectual Property into Property Management (it fits in Intangible Property); and International Issues in General Management Systems. It is possible that these four topical areas could be brought together in an "Other" functional area, but folding them into the other sections as mentioned above would keep the integrity of the major core functional areas intact.

On the whole, we found the selected core functional areas to represent the most critical topical areas on which the TBSR should focus. This was corroborated by comparing them with the major topical areas of relevant federal regulations and industry standards. We have made several recommendations of less major topics that should be considered for review under some of the existing core functional areas.

Appendix E
Detailed Edits/Comments on TBSR Guide Draft Text

This Appendix provides the detailed analysis of the Guide. This analysis is based on the electronic edition of the Guide that was distributed to the Subcommittee after their on-site meeting at NSF on March 28 and 29. There have been many different editions of the Guide. In order to avoid confusion in the future, it would be very helpful if each edition is dated. Proposed edits and comments provided by the Subcommittee for this version of the Guide are provided *[in red italics within square brackets]* and the relevant Guide text is highlighted in yellow. The "editing" that is done will be different for each section, depending on the nature and extent of revisions that are needed. Some sections will have comments others will be complete rewrites.

National Science Foundation
Office of Budget, Finance and Award Management

TOTAL BUSINESS SYSTEMS REVIEW GUIDE

Revised Draft Guide for Review
March 26, 2007

Table of Contents

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Part I–TBSR Process Overview

INTRODUCTION

Definition of Total Business Systems Review

Throughout its history, the National Science Foundation (NSF) has enjoyed a successful 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.

NSF's approach to facilities management differs from many research and development (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 more than $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 the implementation of a systematic and consistently applied program of oversight for all facilities managed by an awardee institution.

In recognition of the need to ensure that its awardee institutions have the appropriate business resources and capabilities to administer and manage large awards, NSF has instituted several measures to accomplish both baseline and advanced monitoring.

The Total Business Systems Review (TBSR) is an advanced monitoring program of the Foundation's facility awards managed by the Office of Budget, Finance, and Award (BFA) Large Facility staff, (see Section 1.4 for a definition of Large Facility Projects). The TBSR includes both desk and onsite review components and is the primary process for NSF to assess the efficiency and effectiveness of its Large Facility awardees' business systems. For purposes of this Guide, *business systems* refers to the people, processes, and technology that support the operations of the facilities.

The TBSR examines whether awardees are operating research facilities in accordance with NSF expectations for business and administrative management. The reviews allow cross-fertilization of ideas through the identification of best practices, and allow NSF to offer recommendations for improvement, focus awardees on the importance of administrative quality, and facilitate a two-way exchange of information between NSF and its awardees.

HOLD   In cases where the awardee institution is a separate entity from the large research and development facility, NSF will review the communications channels and integration points between the awardee institution and its distributed facilities.

Although NSF conducts many kinds of oversight and review functions, the TBSR is unique. For example, the TBSR differs from a Program Review in that the TBSR evaluates the effectiveness of the institutional infrastructure used to support the daily operations of the facilities rather than its technical and scientific activity. The TBSR is not an audit but is used to measure capability, performance, and

compliance for the benefit of NSF and its awardees. Thus, the emphasis of the review is on the existence of proper policies and procedures and the awardees' familiarity with them. A TBSR:

9. Examines whether the awardee institution has written policies and procedures describing how its personnel carry out their stewardship responsibilities for NSF funds in each of the core functional areas for the operation and management of its facilities

10. Examines whether the policies and procedures meet NSF expectation and Office of Management and Budget (OMB) guidances

11. Examines whether the awardee institution adheres to those written policies and procedures

12. Provides an opportunity to discuss recommendations with the awardee and to share best practices of other facilities with them.

The TBSR will review the Core Functional Areas to ensure that repeatable standards are applied to all awardees being reviewed and to provide consistent data elements for assessing the findings. The Core Functional Areas of a TBSR include—

13. General Management

14. Planning and Budget

15. Accounting and Financial Systems

16. and Financial Reporting *[These changes bring wording into conformity with the actual Guide.]*

17. Procurement and Acquisition

18. Property and Equipment Management

19. Human Resources.

The TBSR may also include additional reviews depending on the nature and needs of the project.

Purpose of this Guide

The NSF *TBSR Guide* (hereafter referred to as the "Guide") establishes and defines the procedures for conducting a TBSR and provides information that the TBSR Team can use to review and evaluate the Core Functional Area business systems used at the facilities. It is intended to ensure that the business systems of NSF's awardee institutions are effective in meeting their administrative responsibilities for managing their facilities.

The Guide is divided into three parts. Chapters 1 through 5 describes chronologically the general process for conducting a TBSR. Specifically, these chapters define the roles and responsibilities of staff assigned to the TBSR Team and presents information on activities related to planning, executing, and following up on the TBSR review.

Chapters 6 through 13 include stand-alone review modules for every Core Functional Area and provides assessment guidelines specific to each. The information in each module is divided into topic areas, and within each area, there are suggested questions or issues provided for the reviewer to use in performing their evaluation. The reviewer may discuss other areas in addition to those provided in the review modules, but it is intended that all questions and issues be addressed during either the desk or onsite review.

The remaining sections of the TBSR Guide contains the appendices and includes correspondence templates in Appendix A and supplemental assessment worksheets in Appendix B.

The Guide should be used in conjunction with other NSF policy and procedural documents, such as the Grant *Policy Manual (GPM)* and the terms and conditions of the award, which include the financial and administrative, programmatic, and other specific award conditions and requirements. Specific terms and conditions affecting the administration and stewardship of NSF funds awarded for all cooperative agreements, including for Large Facilities, are located on NSF's external website at http://www.nsf.gov/awards/managing/co-op_conditions.jsp?org=NSF. Other related policy documents including links to OMB circulars and NSF online guidance is located on NSF's internal intranet at http://www.inside.nsf.gov/bfa/dias/policy/start.htm.

NSF staff selected to participate on a TBSR should use the procedures in this Guide as the basis for conducting the TBSR.

The TBSR Process

The TBSR process is designed to facilitate communication between awardees and NSF and ensure that NSF's awardees are effective in their stewardship of federal funds used to operate and manage their facilities.

The TBSR process begins with the selection of an awardee institution to review (see Section 3.1) based on the selection criteria, a TBSR Team is then assigned to each one (see Section 2.3). An internal desk review is performed, which includes consultation with the cognizant Program Officers for background information, and a review of available awardee file documentation (e.g., prior reviews, A-133 audits, award terms, web-based information). During the desk review stage *[Need to work in some wording about the scoping exercise that will set up the actual review; see Subcommittee's recommendations.],* the team analyzes and evaluates the awardee documentation (e.g., policies and procedures, organizational charts) to identify any issues of concern with regard to the awardee institution's business systems (see Section 3.3) that might require follow through during the onsite review. The onsite review is an opportunity for the reviewer to interact with their counterpart to discuss the Core Functional areas, review policies and procedures, and follow any issues or concerns. Where issues are uncovered, the reviewer can provide business assistance and make recommendations for improvement (see Chapter 4).

In cases in which the awardee institution is a distinctly separate entity from the distributed facilities and is monitored by a cognizant audit agency (e.g. an university is the awardee institution, which manages distributed facilities that conduct specific R&D activities), NSF will focus on the communications channels and integration points between the awardee and its distributed facilities in lieu of evaluating the effectiveness of the main awardee institution's business systems. In these cases, NSF will review any findings, recommendations and certifications from the cognizant audit agency to reduce duplication of effort. *[This is a critical statement and should be appropriately highlighted.   It actually answers many of the questions the Subcommittee had in regard to scoping the review. Somehow, this concept needs to be repeated frequently in the Guide to provide direction to the reviewers who are looking at a university – faculty arrangement.]*

The conclusions and recommendations generated from the TBSR will be documented in the TBSRthe TBSR Report, which summarizes the findings and recommendations of the desk and onsite review, and is disseminated to the awardee and relevant NSF stakeholders upon final review and completion (see Chapter 5).

Figure 1 provides a visual depiction of the overall TBSR review process.

Figure 1: Overall TBSR Review Process
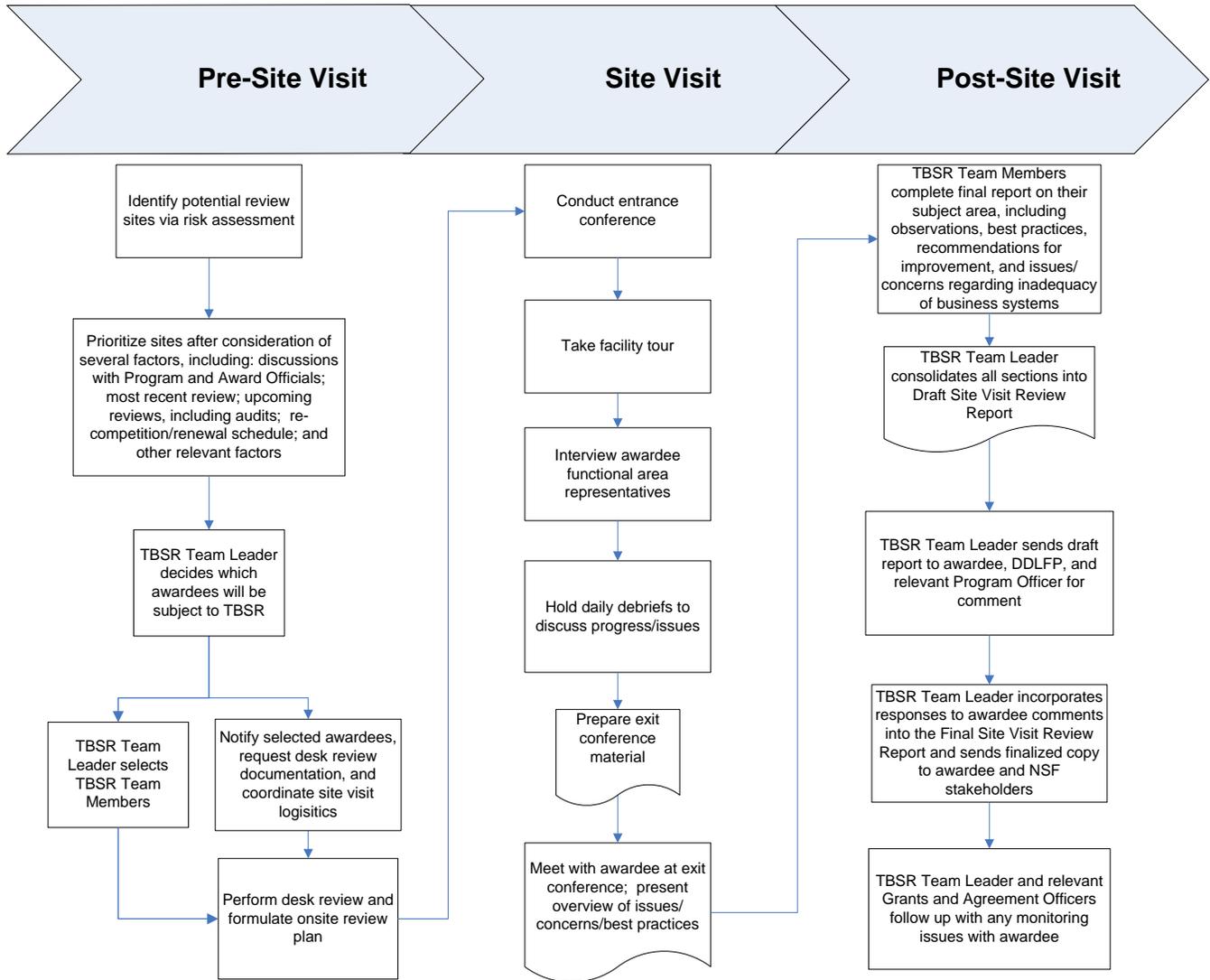
The entire TBSR process generally takes from 4 to 6 months from awardee notification to the issuance of the final report (Figure 2).

Figure 2: Sample Overall TBSR Review Process Timeline

Notify awardee of site selection						
5 - 10 days	5 - 10 days	15 - 20 days	15 - 20 days	5 days	20 - 30 days
Review background information and consult NSF officials	Determine documentation request list and send to awardee	Collect awardee documentation	Perform desk reviews, arrange logistics, TBSR Team meetings	Conduct site review	Compile reports into draft TBSR Report, comment period, TBSR Final Report

4 to 6 months

Who is Subject to a TBSR?

- The TBSR process will be used for the following Large Facility awards:

  20. Facility construction and/or acquisition funded through the Major Research Equipment and Facilities Construction (MREFC) account

  21. Operations of Large Facility Projects funded previously through the MREFC account

  22. NSF Federally Funded Research and Development Centers (FFRDC)

  23. Facilities with operation and replacement costs that would be similar in size to MREFC-funded projects

  24. Other categories that do not fall under the activities listed above but are requested by NSF.

The selection of a TBSR candidate is based on several factors including an annual risk assessment, input from program and administrative officials, and other subjective criteria. There may be instances whereby a TBSR may be deferred based on IG reviews, other substantive business reviews, or pending re-competitions. See Section 3.1 for more information regarding the selection of awardees for a TBSR.

BENEFITS OF THE TBSR PROCESS

As a result of the TBSR, NSF hopes to provide the awardee institution with support and guidance to effectively manage the NSF facilities funded through large, complex awards. This process will also serve to strengthen the relationship between NSF and its awardees and support their efforts to obtain and maintain compliance with NSF and Federal awardee requirements.

Roles and Responsibilities

This chapter summarizes the roles and responsibilities of the TBSR Team, NSF stakeholders, and the awardee institutions. BFA, the Office of Information and Resource Management (OIRM) and sponsoring NSF divisions, will work collaboratively to plan, strategize, and conduct the TBSR reviews.

Implementation and Oversight Roles

Within BFA, the Large Facilities Office has the primary responsibility for managing the TBSR process. The TBSR Team Leader leads the coordination and planning of each TBSR and is the single point of contact for overseeing all aspects of the review and serving as a communications channel. The TBSR Team Leader, as the liaison between NSF and the awardee institution, is also responsible for any follow-up issues identified as a result of the TBSR.

The TBSR Team

At the beginning of each fiscal year, the LFO will develop a proposed TBSR schedule and forward it to the respective division directors in the supporting divisions soliciting SMEs for each TBSR. Separate TBSR Teams are assigned for each TBSR and may include different members to represent each Core Functional Area. Designating each team early in the process allows members to plan in advance to minimize the impact on their regularly assigned workload, and provides an opportunity to address potential budgetary impacts on their respective divisions (e.g., previously unanticipated travel expenses).

TBSR Team members should possess the knowledge and experience necessary to conduct a comprehensive desk and onsite review and report their findings on the awardee institution's Core Functional Areas identified in Section 1.1 to which they are assigned. The team member needs to understand the relevant rules and regulations that govern the award; analyze the awardee's policies and procedures and other documentation for managing the facilities; formulate conclusions, suggestions, and recommendations; and present those findings to a varied audience. Most importantly, TBSR Team Members should have the experience to share best practices from other institutions and provide business assistance to the awardee to resolve any issues.

Figure 3 provides the typical organizational structure of a TBSR Team.

Figure 3: NSF TBSR Team
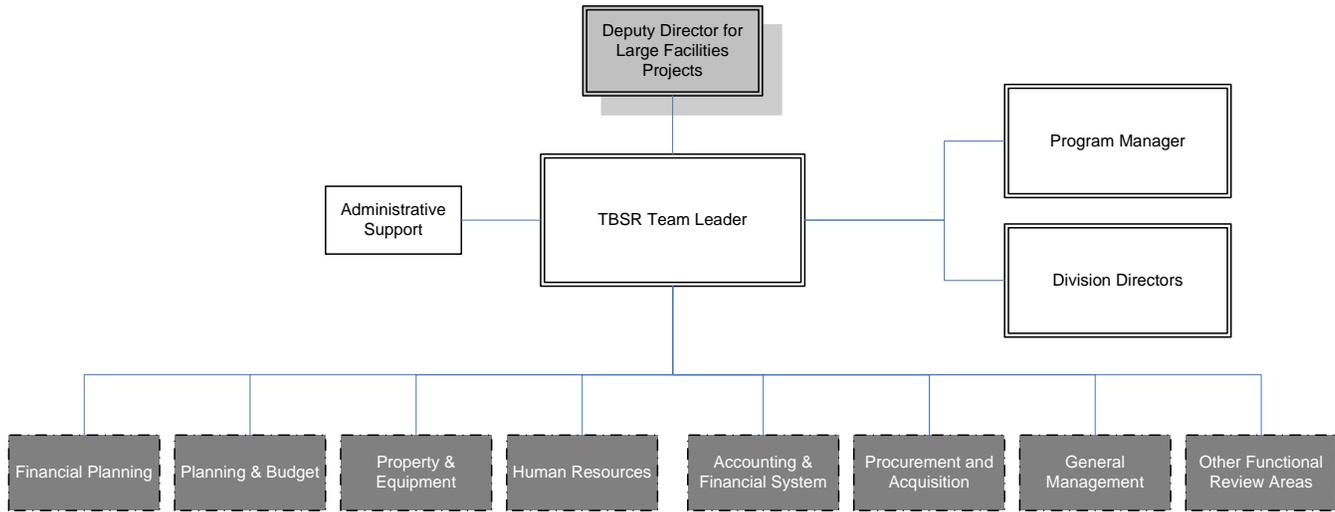
Awardee Personnel

As mentioned in this chapter's introduction, awardee personnel are critical to the success of the TBSR. NSF reviews are coordinated through the Authorized Organizational Representative (AOR). For purposes of this Guide, the GPM definition of the AOR will be used, which defines the AOR as the administrative official who is empowered to make certifications and assurances on behalf of the awardee organization. It is expected that the AOR will provide the appropriate support to coordinate the requirements necessary to conduct a successful TBSR review - forwarding requested documents, coordinating logistical support, and providing awardee personnel support. The AOR will identify the awardee's Core Functional Area,. representatives who will serve as the principal points of contact for the TBSR Team members and will provide insight during the onsite portion of the TBSR.

A summary of the responsibilities of personnel involved with a TBSR is provided in Figure 4.

Figure 4: Roles and Responsibilities

Role	Responsibility
Deputy Director for Large Facilities Projects (DDLFP)	Determines the awardees subject to a TBSR based on a risk assessment in conjunction with the TBSR Team Leader
	Approves updates to the *TBSR Guide*
	Coordinates with other review assessment activities conducted by NSF that affect the conduct of a TBSR at an awardee institution

Role	Responsibility
TBSR Team Leader	Oversees all activities required to conduct a successful TBSR
	Determines the awardees subject to a TBSR in conjunction with the DDLFP
	Serves as the principal resource for NSF staff for advice and guidance in the performance of a TBSR and any required follow-up
	Nominates TBSR Team members
	Maintains the following:
	– A database indicating the status of each TBSR, review team members, status of the reports and correspondence, initial follow-up, and other supporting documentation
	– A database and archive of TBSR reports and post-review letters issued each year
	– A file for each TBSR review performed that includes supporting documentation
	Coordinates and plans each TBSR
	Serves as the single point of contact responsible for TBSR Team development, leads the preparation of draft and final TBSR reports, and serves as the liaison between NSF and the awardee
	Ensures that any follow-up issues are addressed to appropriate personnel
TBSR Team Member *[Keep singular, since the responsibilities are directed to an individual.]*	Is selected to participate on a TBSR Team based on business area expertise, availability, and/or previous TBSR experience
	Attends pre-site visit meeting(s)
	Performs desk review of assigned Core Functional Area
	Performs site-visit review and conducts interviews of awardee representatives of assigned Core Functional Area
	Provides final TBSR report on Core Functional Area for inclusion in the comprehensive report
BFA/Sponsoring Directorate/Program Director	Provides input regarding need and content of TBSR
	Advises TBSR Team on programmatic aspects of the program or facility under review
	Is available for consultation as needed
	Participates in debrief
	– Provides feedback on draft reports
	– Assists in resolving issues raised in reports in conjunction with business officials from BFA and other NSF administrative offices
	Monitors awardee progress toward implementing changes, if any, in administrative practices and coordinates, as needed, with the awardee, BFA, and other NSF administrative offices
Authorized Organizational Representative	Acts as TBSR Team Leader's point of contact during the TBSR process
	Can commit the awardee organization to adhere to various NSF policies and grant requirements
	Designates personnel to act as Core Functional Area representatives
	Ensures requested documentation for desk reviews is provided
	Ensures onsite review logistics are arranged
Awardee Core Functional Area Representatives	Provide documentation requested for desk reviews to TBSR Team
	Participate in onsite interviews
	Respond to requests for additional information

This chapter summarizes the pre-site visit activities including facility selection, pre-review discussions, facility notification, team preparation, desk review, and other pre-site-visit activities that are critical to a successful TBSR.

TBSR FACILITY Selection

All facilities, due to the significant amount of federal investment funds received, are considered high risk and subject to a TBSR. The plan is to review each facility once during each award cycle. In cases other than the FFRDCs, LFO should initiate the review early in the award cycle, so that any issues that might arise and are of concern can be corrected early in the award. For the FFRDCs, the TBSR reviews should complement the programmatic management reviews that are normally conducted during the third year of the award cycle.

The LFO analyzes the facilities portfolio annually to determine the TBSRs to be conducted during the fiscal year. The TBSR facility selection is based on award characteristics and other features as described in Section 1.4 and other subjective factors. When determining possible awardee sites for a TBSR, LFO will—

1. Consider the award re-competition schedule (to ensure at least one TBSR per award cycle)
   a) Prior recent reviews (desk, TBSR, other)
   b) Previous Risk Analyses conducted by the CAAR Branch
   c) Subjective analysis provided by Program Officers, administration officials, and staff from the LFO
   d) Other relevant factors
2. Determine which sites will be reviewed in the current fiscal year:
   a) For the sites that are selected, the TBSR Team Leader begins planning the TBSR in accordance with this Guide
   b) For all other sites, LFO relies on the baseline monitoring oversight provided by program and business officials throughout the Foundation.

The TBSR Team Leader will document the basis for the selection of the facility for a TBSR review and will include this analysis with the TBSR review file.

Discussions, Notifications, and Visit Confirmation

Discussions with NSF Program Officials

After the site has been selected, the TBSR Team Leader meets with the cognizant NSF Program Officer to inform him/her of the site selection decision and provide an overview of the TBSR process, the scope of the review, and the projected schedule, in order to avoid overlap with other internal or external reviews. The Team Leader should also ask the Program Officer if he/she has any reservations or concerns regarding the proposed TBSR. If so, the TBSR Team Leader should attempt to reconcile the issue which may require consultation with other NSF staff and/or awardee staff as necessary. These discussions should be documented using the Program Officer Consultation worksheet (see Appendix A—Template 1).

Notification to Awardee Institution

The TBSR Team Leader should normally contact the AOR approximately 12 weeks before commencement of the onsite review. This written notification (email, letter, and fax) should inform the institution of the site selection and provide some basic background on the process. This email should be followed up with a telephone conversation to the AOR to explain the process in more depth. These discussions should define the scope of the TBSR and determine which facilities and sites should be included in the overall review. This information will be used to inform the TBSR Team of their respective roles and responsibilities (e.g. an NSF Property SME will only visit a facility that manages a significant amount of government personal property). A sample awardee notification letter is provided in Appendix A—Template 2.

Confirmation Letter and Request for Documentation

The TBSR Team Leader should send a TBSR package to the AOR approximately 10 weeks prior to the onsite review. The TBSR package includes—

25. Confirmation letter (sample provided in Appendix A—Template 3)

26. Documentation request list specifying the materials needed to conduct the desk reviews

27. Preparation checklist that identifies activities that should be completed by the NSF Team to conduct the TBSR at the awardee facility.

This information should also be provided to the NSF Program Officer, TBSR Team members, and the DDLFP.

Final Confirmation

Approximately 3 weeks prior to the site visit, the TBSR Team Leader should contact the AOR or awardee designee to confirm the logistics of the site visit and to—

28. Discuss any questions concerning the visit

29. Identify any additional supporting documentation that may still be required by the TBSR Team while onsite

30. Confirm that awardee personnel will be present throughout the visit to assist, if needed

31. Confirm meeting agenda, time, and place, and obtain directions and other logistical requirements.

TBSR Team Preparation

After the awardee has been notified of the pending review, the TBSR Team begins preparations for the site visit. At the initial team meeting, the Team Leader introduces the team, defines the roles and responsibilities, and provides background information on the awardee and its facilities. If available, the Team Leader provides copies of recent audit or business monitoring reports, and any other relevant internal NSF documentation. The TBSR Team will meet, as necessary, prior to the visit to coordinate other internal planning activities, make logistical arrangements, resolve any procedural or scheduling concerns, and confirm roles and responsibilities. The Program Officer, the cognizant Cost Analyst, and Agreements Officers may also be invited to share their insights on the project and the management of the facility with the team and discuss any issues or concerns that might be examined during the course of the review

During this pre-TBSR phase, the Team members are expected to complete the pre-visit activities, including—

32. Performing a desk review for the assigned Core Functional Area (see Section 3.3.1)

33. Coordinating with the Team Leader to obtain any documentation from the awardee that might be required for the pre-review

34. Sharing results of desk reviews, identifying areas of focus and overlap

35. Scheduling, in conjunction with the TBSR Team Leader, onsite interviews with awardee Core Functional Area representatives

36. Finalizing the onsite review plan for the assigned Core Functional Area (see Section 3.3.2).

The TBSR Desk Review

The TBSR desk review is a critical component of the overall TBSR, and provides the focus of the onsite analysis *[Perhaps a repetition of the earlier statement would be useful here… "In cases in which the awardee institution is a distinctly separate entity from the distributed facilities and is monitored by a cognizant audit agency (e.g. an university is the awardee institution, which manages distributed facilities that conduct specific R&D activities), NSF will focus on the communications channels and integration points between the awardee and its distributed facilities in lieu of evaluating the effectiveness of the main awardee institution's business systems. In these cases, NSF will review any findings, recommendations and certifications from the cognizant audit agency to reduce duplication of effort."].* Each TBSR Team member should review the documentation provided by the awardee to assess the adequacy of the awardee's business system for the assigned Core Functional Area. This should help TBSR Team members identify areas of weakness and/or issues of concern that can be examined onsite during the one-on-one interviews with the awardee functional representatives.

Information that might be helpful to the team:

37. Copy of the award and amendments

38. Most recent annual workplan

39. Most recent quarterly report

40. Special terms and conditions of the Cooperative Agreement

41. Description of the facility in the current NSF Budget Request

42. GPRA report

43. A-133 and other available audits.

The TBSR Team Leader may also request the awardee to provide—

44. Organizational charts

45. Flow charts and/or maps and accompanying narratives that describe business system processes

46. Written documentation addressing questions in the checklist

47. Any other relevant documentation specific to the particular Core Functional Area.

If reviewers need additional information to adequately address the Core Functional Areas, they should state their requests to the Team Leader, who coordinates with the AOR.

While performing the desk review, TBSR Team members should complete the supplemental checklist worksheets (see Appendix B) to record the responses for the data-gathering effort. The worksheets provide questions/issues specific to each Core Functional Area and are used as a guide to evaluate the adequacy of the awardee facility's business system. Reviewers should record responses to the questions or issues and annotate their observations with as much information as possible. Any questions or issues that cannot be addressed by reviewing the documentation should be presented at TBSR Team meetings in an attempt to resolve them. The Team will determine how these unresolved issues could be explored during the onsite review.

The desk review process is summarized in Figure 5.

Figure 5: Desk Review Process
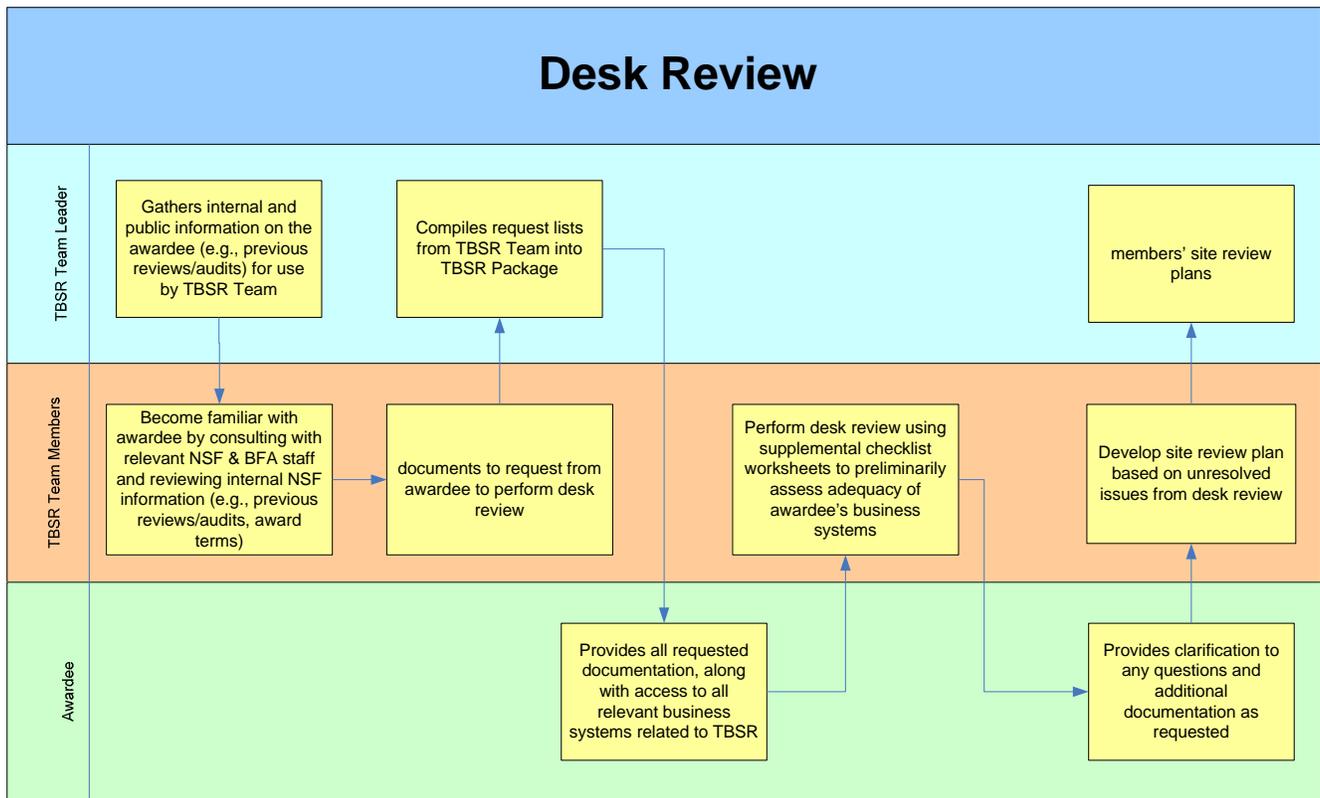
Preparation for the Onsite Review

As described in Section 3.3.1, each TBSR Team member should develop a list of issues to explore while onsite and discuss with their counterpart at the awardee facility. This list helps TBSR Team members prioritize the objectives they intend to accomplish, plan their time onsite at the facility with awardee, identify the Core Functional Area representatives to interview during the onsite review, and promote interview effectiveness. To encourage potential cross-collaboration by TBSR Team members, the members present their plans to one another at the final TBSR Team meeting before departing NSF for the onsite review at the awardee facility.

The onsite review provides the opportunity for TBSR Team members to assess the facility's business systems and resolve questions or issues that were not addressed during the desk review. This chapter provides an overview of the onsite review procedures for the TBSR focusing on the entrance and exit conferences, one-on-one interviews with awardee Core Functional Area representatives, and other activities that support the onsite TBSR review process.

Onsite Logistics

The onsite review phase generally takes 1 week and includes the entrance conference, facility tour, individual representative discussions, documentation reviews, business systems validation testing, preliminary report preparation, and the exit conference. In situations where there may be multiple facilities, the TBSR may require additional on-site reviews to ensure that the integration points of business systems between facilities are examined. TBSR Team members meet one on one with their facility counterparts to discuss the systems applicable to the core area and to follow up on concerns or issues identified during the desk review. Before the onsite visit, the TBSR Team Leader contacts the AOR to ensure that the logistics of the meeting are in order. A conference room should be available for the TBSR Team to gather and meet privately throughout the week. A separate "quiet" conference room should also be made available for use by the TBSR Team for reviewing and assessing documentation. Telephone and Internet access should be available, as well as print, copy, and fax capabilities. Individual TBSR Team Members can meet with the corresponding awardee functional representatives in their work areas for the one-on-one interviews.

Typical Activities

Entrance Conference

During the entrance conference, which is normally held on the day the TBSR Team arrives onsite. the TBSR Team Leader introduces the team, informs the awardee of the objectives of the TBSR (see sample Entrance Conference Agenda below), and discusses the plan to complete these objectives. This conference is also an opportunity to answer any questions, discuss the schedule for the upcoming week, and allow the awardee to educate the NSF TBSR Team about the facility, including its mission, operations, and staff.

A sample entrance conference agenda is provided below:

Entrance Conference Agenda

1. The TBSR Team Leader distributes an attendance list, outlines the broad objectives of the review (capability, performance, assistance) and the Core Functional Areas to be examined, discusses the objectives of the TBSR, introduces the TBSR Team members, and asks the AOR to do the same.

2. The AOR presents an overview of the facility and operations.

3. The AOR describes the logistical arrangements, such as office space, telephone and fax numbers, lunch and dinner, etc.

Facility Tour

The awardee arranges a tour of the facility for the TBSR Team. This tour highlights the operational characteristics of the facility and provides the team with an opportunity to discuss the facility with the director.

Individual Discussions

The main objective of the onsite visit is to provide the TBSR Team members the opportunity to discuss with their awardee counterparts the business systems that affect the facility and to test the system's compliance with NSF and federal regulations. During these meetings, the team member may ask questions regarding the business system,. identify areas for improvement, and document best practices. The TBSR Team member may ask their counterpart to demonstrate the business system's functionality and may also request documentation and records for review and verification to aid in understanding the people, processes, and technology used to support the business system under review, as well as how these systems are integrated with the awardee institution, if applicable.

The TBSR Team Leader provides a copy of the TBSR Guide to the AOR in advance of the site visit. The awardee Core Functional Area representatives should prepare for the interview by reviewing the Guide and specifically, the relevant review module and the supplemental checklist found in Appendix B. The interview schedule for the onsite review will be coordinated as much as possible beforehand.

Daily Debriefs

At the end of each business day, the TBSR Team meets privately in the conference room to discuss the day's activities and share information about interviews conducted, documents reviewed, and systems tested. This debrief, led by the Team Leader, allows the TBSR Team Members to discuss any issues that should be explored and develop plans for handling issues that should be addressed the following day. The TBSR Team should also organize meeting notes and identify areas that will be addressed or clarified during the next day's interviews.

Additional Documentation Requirements

The awardee may be asked to provide the Team members with any additional documentation requested during the review to aid in gaining a greater understanding of the business system and the institution's current operating environment.

Report Preparation

The onsite schedule should include time for the TBSR Team members to begin the preparation of their report for their Core Functional Area. The final team meeting will be held the afternoon before the exit conference to discuss findings and any questions, issues, and/or concerns that they have that should be addressed.

Exit Conference

The TBSR Team Leader leads the exit conference on the final day of the onsite visit to debrief the awardee on the findings and recommendations from the site review. including an overview of the areas of concern, recommendations for improvement, and best practices identified. The awardee will have the opportunity to ask questions about these issues, which are preliminary and subject to change.

A sample exit conference agenda is provided below:

Exit Conference Agenda

4. Attendance List.

5. The TBSR Team members advise the awardee of preliminary findings and recommendations in their areas, such as questioned costs, weaknesses in the internal control structure of the awardee institution, compliance issues, and best practices.

6. Awardee representatives have an opportunity to provide comments, clarifications, impressions, etc.

7. The TBSR Team Leader thanks the awardee and reiterates the schedule and process for draft and final reports, which will provide a summary of findings and recommendations.

Promptly upon returning from the onsite review, the TBSR Team Leader sends a thank-you letter to the awardee (see Appendix A—Template 4).

TBSR Site Visit Report Documentation

TBSR Team members are responsible for documenting all aspects of the TBSR process for their Core Functional Areas. While this is mostly accomplished during the desk review by completing the supplemental checklist worksheets, TBSR Team members should document interviews with awardee Core Functional Area representatives, including capturing the issues discussed /resolved during these interviews on the supplemental checklist worksheets. This information is important to provide a comprehensive record of the TBSR and to assist TBSR Team members in drafting their sections of the TBSR Report (see Section 5.1).

To provide useful feedback to the awardee, the TBSR Team develops a report that documents the overall findings and recommendations of the TBSR and sends that report to the awardee for review and comment. This chapter outlines the process by which that report is generated.

TBSR Report

Using information (e.g., supplemental checklist worksheets, interview notes) compiled from the desk and onsite reviews, TBSR Team members prepare a written report of their findings, including identification of areas of weakness and/or issues of concern, recommendations for improvement, and best practices. The TBSR Team Leader is responsible for consolidating input from all of the TBSR Team Members into three key areas for each Core Functional Area: Findings, Recommendations and Corrective Actions, and Best Practices, where applicable.

Findings is the section of the report that provides a summary of the adequacy of the awardee's policies, procedures, and practices, and an overall impression of the awardee distributed facilities' capability, performance, and compliance with respect to each of the Core Functional Areas. The Findings section should also indicate how the awardee's policies, procedures, and practices differ from those required, and the potential impact of that difference on the award.

Recommendations and Corrective Actions is the section of the report that describes activities for either NSF or the awardee to implement to correct any deficiencies noted during the review. "Recommendations" are those actions that the TBSR Team Member believes, based on his or her experience and best practices, would improve operations. Recommendations are not mandatory. "Corrective Actions" are actions that the awardee must take to comply with an NSF or federal regulation or requirement.

Best Practices is the section of the report that identifies awardee business practices, procedures, and policies that fulfill the expectations of a proficient business system. These best practices may be shared with other NSF awardees that have a weakness in that area. Permission to share best practices is obtained from the awardee and noted in the TBSR Final Report.

TBSR Report Process

For the sake of accuracy and timely feedback, TBSR Team members should complete their respective sections of the draft TBSR Report and submit them to the TBSR Team Leader within 5 business days of completion of the onsite review. The TBSR Team Leader consolidates all TBSR Team members' sections and prepares the draft TBSR Report in accordance with the TBSR site visit report format contained in Appendix A—Template 5.

After the draft TBSR Report is completed, TBSR Team members have an opportunity to review and revise it before it is sent to the awardee institution, the sponsoring Program, and the DDLFP. The draft TBSR Report includes the objectives and scope of the TBSR; methods used in each core functional review area, a statement of practice, considerations, best practices, conclusions, areas of concern, and recommendations for improvement.

After incorporating the TBSR Team members' comments, the TBSR Team Leader sends the draft TBSR Report to the awardee to review for factual correctness, accompanied by the Draft Report Transmittal Letter (see Appendix A—Template 6). The TBSR Team Leader concurrently forwards a copy of the draft

report to the DDLFP and the relevant NSF Program Officer for comment. The awardee is requested to provide comments on the draft within 10 business days. If necessary, the TBSR Team Leader will discuss the draft TBSR Report with the AOR before the awardee's formal response. This process is intended to provide the awardee an opportunity to resolve misunderstandings, provide missing documentation, or generally comment on the draft TBSR Report.

The TBSR Final Report is sent to the awardee accompanied by the Final Report Transmittal Letter (see Appendix A—Template 7), with courtesy copies forwarded to the DDLFP, NSF Program Officer, Contracting Officers, Grants and Agreement Officers, CAAR Branch, and other NSF personnel, as appropriate.

The TBSR report process is depicted in Figure 6.

Figure 6: TBSR Report Process
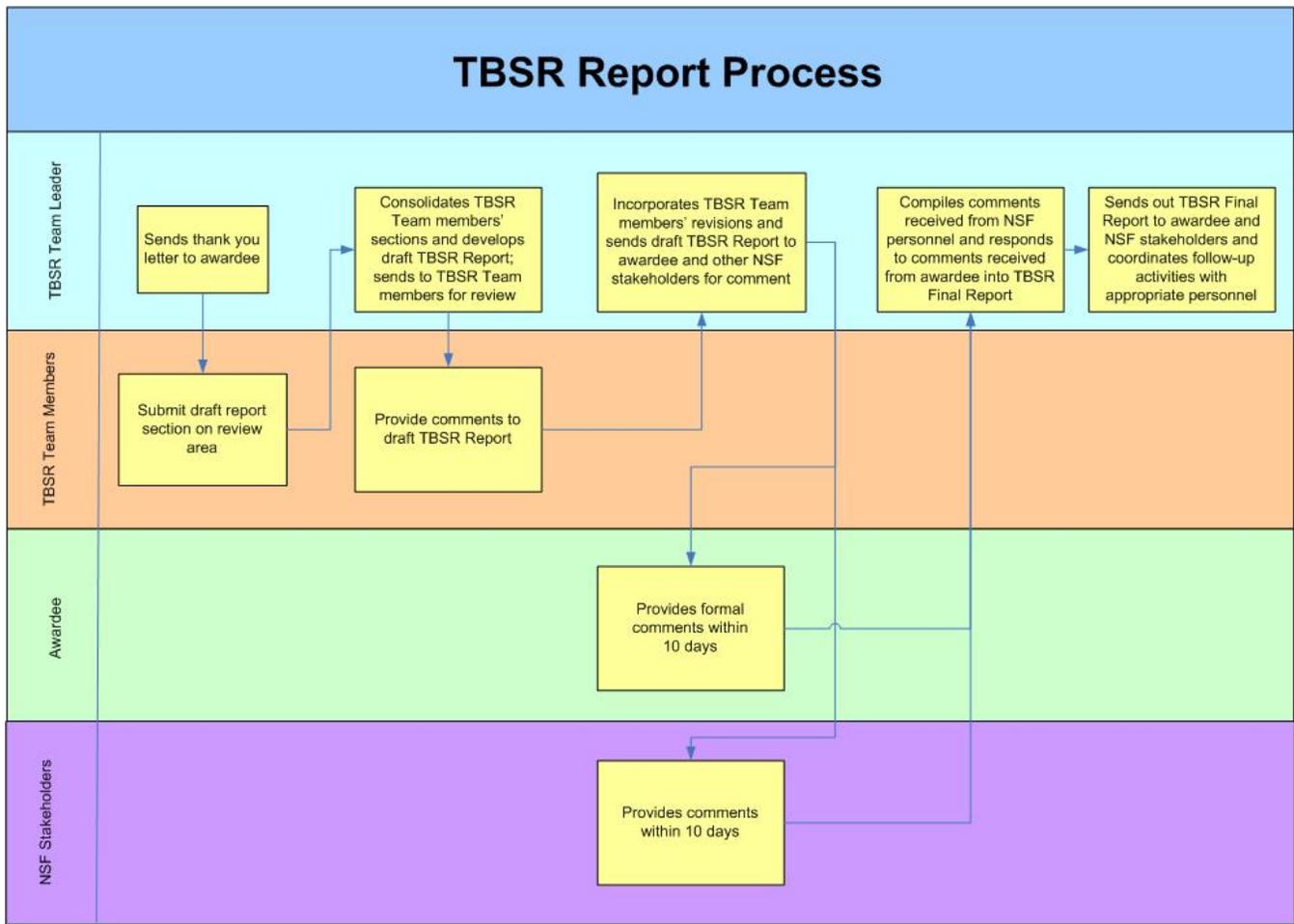
Monitoring Follow-Up

Once the report is prepared, there may be issues identified that require corrective action and resolution. If so, the TBSR Team Leader will coordinate NSF's response with the appropriate administrative staff and Contracting or Grants and Agreements Officer responsible for the award administration. During this follow-up stage, the TBSR Team Leader is the central point of contact for NSF and facilitates communications between NSF staff and the awardee to resolve any identified issues requiring resolution. Issues that may require additional monitoring include verification of procedural changes, system

enhancements, and other changes instituted in response to conclusions and recommendations identified in the TBSR Final Report.

The awardee is required to submit an implementation plan to the TBSR Team Leader stating its approach to resolving the identified issues. The TBSR Team Leader monitors the awardee's progress in completing the implementation plan in the designated time frame. Once all issues have been resolved, the TBSR Team Leader officially closes out the TBSR site review for the award cycle.

If the issues remain unresolved, the Team Leader will ask the respective Contracting or Grants and Agreements Officer to initiate the appropriate action to ensure the issues are addressed promptly. The scope of additional monitoring activity varies depending on the nature of the unresolved issues and may require additional monitoring through documentation submission from the awardee or follow-up site visits from NSF administrative staff. If proposed or implemented changes prove to be ineffective or inadequate to address the concerns identified during the TBSR, additional external reviews or audits may be requested by BFA.

Part II—Core Functional Area Review Modules

6.1 Introduction

This chapter addresses the activities related to the overall business management of the award by the awardee institution. While evaluating management practices is also included in the other Core Functional Areas, this component of the TBSR focuses on the effectiveness of the organization in executing business processes, strategic planning, performance measurement, regulatory compliance, ethics, management oversight and other business management issues. Effective general management policies and procedures provide for well-defined and documented internal controls that ensure that the delegation of authority and responsibility also provide for appropriate segregation of duties and responsibilities. Internal controls include all methods, measures and procedures incorporated by an awardee to safeguard federal resources and awardee resources. The internal control system is intended to assure proper signature and approval authority levels that guard against improper use of resources and enforce adherence to established management policies and procedures.

6.2 Reference Documents

- **OMB Circular A-110,** "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations"
- **OMB Circular A-102**, "Grants and Cooperative Agreements with State and Local Governments"
- **OMB Circular A-133,** "Audits of States, Local Governments and Non-Profit Organizations"
- **GPM, Section V**, "Grantee Standards"
- **Executive Order 12674**, "Principles of Ethical Conduct for Government Officers and Employees"

6.3 Objective of Review

This element of the TBSR is intended to evaluate the general business management practices of the awardee. Specifically, the role of the reviewer is to determine whether the awardee has in place and utilizes:

- An organizational structure that provides for the effective and efficient performance of the business systems employed at the site that is the subject of the TBSR. These systems ensure compliance with regulations and requirements established by the NSF.

- A system of internal controls that effectively document methods used by the awardee to protect assets, prevent improper charging, ensure the accuracy and reliability of all financial and operating information, and ensure adherence to established policies and procedures.

- A process for strategic planning as appropriate to the facility under review.

- A method for evaluating overall business performance and a detailed and effective approach to addressing performance shortfalls.

- Policies and procedures that ensure compliance with NSF requirements, including flow-down federal laws.

- Policies and procedures that encourage ethical behavior.

- Adequate business oversight by management at all levels.

6.4 Information for Review

To assist in determining the effectiveness of the awardee's business management systems, the TBSR team should request copies of the following:

- An organizational chart reflecting the relationship between the awardee and the facility under review.

- Position descriptions of senior level personnel in the functional areas under review.

- Reports issued over the prior three years from the awardee's internal auditor, and any management response to recommendations.

- A-133 audits for the prior three years, and any response to recommendations.

- Any NSF Inspector General reviews or audits, and any response to recommendations or findings.

- All performance measures used by the awardee for the TBSR site, and any pertinent reports on accomplishment of measures.

- Description of any Board of Directors or Trustees or Advisory Boards or Committees that have fiducial or oversight responsibility over general business functions.

- Policies and procedures related to the awardee's ethics program, including standards of conduct and conflict of interest.

6.5.2 Areas for Review

Internal Controls

First, a caution. Don't repeat the review done by other function reviewers. Coordinate beforehand to ensure that there isn't a duplication of effort. Most of the internal control review should be done by the detailed function reviewers.

- Are the lines of authority clear?

- Is there an internal audit function and what is the reporting structure?

- Is there sufficient and effective separation of authority?

Performance Measures

- Is there a system in place that provides clear performance measures, communicates these to staff, and evaluates performance against the measures?

- Are the performance measures meaningful, i.e. are they based on processes that affect overall performance?

- Are there procedures in place that identify performance shortfalls and provide a method for resolving them?

- Are responsibilities for accomplishment of performance measures clearly defined?

Regulatory Issues

- Does the awardee have policies and procedures in place to ensure compliance with regulatory issues?

- Are there any unresolved regulatory issues? For example, are there any IRS liens, local taxing authority issues, ITAR or safety, health or environmental citations? If so, has the awardee provided an adequate response?

Ethics Issues

- Does the awardee have a written policies related to ethics? These would include policies that deal with general ethics, conflict of interest, scientific misconduct and human subjects research.

- How are the policies communicated to employees?

- Is there a method for employees to communicate ethics concerns to senior management? Can they do this anonymously?

Miscellaneous Issues

- Does the awardee have adequate controls in place to ensure NSF approval of press releases related to the facility?

- Does the awardee have a process in place to inform NSF of media coverage?

- Are there processes in place for the awardee to communicate to NSF any issues or problems?

Introduction

This chapter reviews and assesses activities related to the overall general management of the award by the awardee institution. Although evaluating good management practices is also included in the other specific Core Functional Areas, the focus of this component of the TBSR examines the effectiveness of the organizational structure in executing business processes, strategic planning, performance measurement, regulatory and ethical compliance, management oversight, and miscellaneous management issues. An effective organizational structure provides for the proper assignment of authority and responsibility among offices, departments, individual officers, and employees to ensure appropriate segregation of duties and responsibilities. Duties of management staff must be allocated so that the responsibilities for operations, custodianship, and reporting are separate and distinct and can be immediately subjected to the challenge and scrutiny of the chief executive officer, board of directors, and outside reviewers. It is also key to review the reporting relationships, internal controls, and

communications channels between the awardee and any distributed facilities. This is accomplished and documented through the system of internal controls. The system of internal controls includes all coordinated methods and measures adopted by an awardee to safeguard its resources, assures the accuracy and reliability of its accounting and cost data to promote operational efficiency, and encourages adherence to established management policies and procedures.

Reference Documents

48. [OMB Circular A-110](#), "Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations"

49. [OMB Circular A-102](#), Grants and Cooperative Agreements With State and Local Governments

50. [OMB Circular A-133](#), "Audits of States, Local Governments, and Non-Profit Organizations:

51. [GPM, Section V](#), "Grantee Standards"

52. [Executive Order 12674](#), "Principles of Ethical Conduct for Government Officers and Employees"

Objective of Review

The objective of this chapter is to evaluate the critical management aspects of the awardee presented in the chapter Introduction above. Specifically, the reviewer determines whether the awardee has—

53. An organizational structure that allows for the effective and efficient performance of the business systems of the awardee's distributed facilities to manage NSF awards and that ensures compliance with regulations and requirements established by NSF and the Federal Government

54. A system of internal controls in place that constitute the methods followed by an awardee to protect assets, protect against the incurrence of improper liabilities, ensure the accuracy and reliability of all financial and operating information, assess operating efficiency, and measure adherence to established policies and procedures that are critical for an effective organizational structure

55. A process to develop the awardee's strategic plan, which includes strategic analysis, strategic workshops, and the communication of the strategic plan to relevant stakeholders as it affects the management of the awardee's distributed facilities

56. A method for evaluating overall performance as it relates to business goals, and a plan for improvement if performance does not meet goals

57. Policies and procedures that ensure compliance with various ethical and regulatory requirements

58. Adequate business oversight by senior-level management and/or advisory boards or committees

59. An understanding of other issues that could potentially affect the awardee institution's overall management.

Areas of Concern

There should be clear evidence that the awardee has implemented all the elements of an effective organizational structure to properly manage its large facilities. The following problem areas relate to general management, and the existence of any of them suggests there may be weakness in the awardee's management business system:

60. Poorly defined organizational structure that does not clearly define lines of authority and/or fails to promote employee efficiency

61. Insufficient safeguards that result in internal controls that permit an operating environment that is vulnerable to errors, waste, and possible fraud.

62. Lack of appropriate policies and procedures that ensure regulatory and ethical compliance

63. Poor business reporting mechanisms that do not assist the leadership in decision making

64. Lack of communication among staff, between staff and senior managers, or between the awardee institution and its distributed facilities.

Subject Area Information

Desk Review Documentation Request

To assist in determining whether the awardee has an effective general management business system in place, it is suggested that the TBSR Team Leader obtain from the awardee copies of or electronic access to the following documentation:

65. An official or published statement of the purpose of the awardee institution, 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)

66. An organizational chart reflecting the structure of the awardee institution and the names, titles, duties, and responsibilities of personnel in each of the functional areas (e.g., General Management, Budget, Finance, Human Resources, Property Management)

67. Job descriptions of senior-level personnel in the above listed functional areas

68. Written description of the awardee's governance model and authorization matrix

69. Written statement of the awardee's mission, vision, and strategic plan and/or goals

70. Organizational Charts

   Organizational chart reflecting the structure of the awardee organization.

   Organizational chart of the Business Office responsible for administering the award with the names, titles, duties, and responsibilities of personnel in each of the functional areas (e.g., General Management, Budget, Finance, Human Resources, Property Management, etc.)

   Organizational chart of the Project Office responsible for administering the award with the names, titles, duties, and responsibilities of personnel in each of the functional areas

71. Strategic Planning

   Strategic planning unit's organizational chart and job descriptions (if the awardee has a separate unit for this function)

   Strategic planning process maps and process steps descriptions for the distributed facilities

72. Job Descriptions

   For the sponsored Research Office—Job descriptions of senior-level personnel in the above listed functional areas

   For the Project Office—Job descriptions of senior-level personnel in the above listed functional areas

   For the Facility Office—Job descriptions of senior-level personnel in the above listed functional areas

73. Internal and External Reviews

   Reports issued over the last 3 years by the internal audit function affecting the project and management's response to determine the impact on project management

   Copies of any site-visit reports from internal and external audits (including A-133 audit reports and copies of issues provided to management in separate correspondence) associated with the core review areas that were conducted by NSF or other federal agencies during the last 2 years; if recommendations were made in these reports, provide the status of the implementation and/or an explanation

74. Reports issued by the General Services Administration (GSA) or Government Accountability Office (GAO) if the organization is currently part of a federal supply schedule or if it is a federal organization that must comply with GAO regulations.

75. Copies of all performance reports used by each core review area

76. List of all strategic, operational, and individual performance measures used by all functional areas

77. Advisory Board Information

   Description of advisory boards or committees used by the awardee for advisement or oversight, including a description of their charter, controls, and frequency of meetings and a list of members and their affiliations

   Summaries of any advisory boards or committees meetings to determine if they are taking an active role in significant management decisions

78. Ethics Programs

   Policies and procedures related to the awardee's ethics program (e.g., standards of conduct, conflict of interest)

   Reports issued by the internal audit function and management's response to determine whether management promptly resolves issues affecting project management

   Reports issued by GSA or GAO if the organization is currently part of a federal supply schedule or if it is a federal organization that is required to comply with GAO regulations

   Copies of any site-visit reports from internal and external audits (including A-133 audit reports and copies of issues provided to management in separate correspondence) associated with the core review areas conducted by NSF or other federal agencies during the last 2 years; if recommendations were made in these reports that have not yet been resolved, the awardee should provide an explanation

79. Description of advisory boards or committees used by the awardee for advisement or oversight, including what control these bodies have, how often they meet, and a list of members with affiliations

80. Summaries of any advisory boards or committees to determine whether they are taking an active role in significant management decisions

81. Awardee's communications plan and list of its communications channels.

Subject Area Management

Each specific core functional area is evaluated based on the organizational structure of that particular business unit. The focus of this section is assessing the management structure of the whole awardee institution and its project office. Senior-level management is ultimately responsible for ensuring the

efficient performance of the awardee. Suggested issues or questions to pursue when evaluating this section include—

82. Does the organizational chart include all appropriate management functions?

83. Are all management functions clearly described (e.g., role, responsibilities, outcomes)?

84. How are lines of authority delineated to facilitate communications between the awardee and suborganizations? Describe the management structure between the awardee and any suborganizations.

85. Does each job description define its role, responsibilities, accountabilities, and individual performance measures?

86. Are clear lines of authority and responsibility delineated?

87. 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 awardee's equivalent of a Chief Executive Officer?

88. Is there a legal function and, if so, is it sufficiently independent from management to constructively participate in an advisory capacity?

89. Are the personnel involved aware of relevant congressional mandates (e.g., GPRA)?

Strategic Planning

Strategic planning is an essential component of effective management. It compels the awardee to set goals and measure its progress against completing those goals. Activities involved with strategic planning include long-term asset management, partnership strategies, and charting potential changes to regulatory requirements.

The awardee's personnel responsible for strategic planning should be aware of the entire strategic planning process, policies, and overall environment. The reviewer should seek to determine whether the awardee is performing strategic planning, and if so, determine that the planning is being performed to a standard that, at a minimum, addresses the core strategic planning components and processes listed below. The reviewer should focus on aspects of strategic planning such as mission and vision statements, and defined goals and objectives; and determine whether there is adequate linkage between the awardee's mission and strategic goals, including a review of the efficiency of operations.

Areas of review include—

90. Is the unit closely linked to the other lines of business or programs?

91. Does the strategic planning process provide the relevant stakeholders the opportunity for input?

92. Does the awardee update its strategic analysis as appropriate?

Performance Measures

The awardee should maintain and use an established metrics system or some other self-evaluation model for assessing its performance in the various business systems. The measures should be used by managers to set policy and modify procedures if necessary. Reviewers should determine whether the desired system components are present in the awardee's general management system by obtaining answers to the following questions:

93. Are the performance measures balanced by focusing on the business results and satisfaction of employees and the user community?

94. Do performance measures address the strategic, operational, and individual levels of the awardee?

95. Are the measures tightly linked to the awardee's mission and strategic goals?

96. Do performance measures focus the awardee's attention on the critical business systems issues?

97. Is the performance measures metadata defined (e.g., source, formula, owner, measurement tool)?

Regulatory and Ethical Issues

The focus in this section is to evaluate how the organization is complying with regulatory and ethical issues. It is the responsibility of the organization's senior management to ensure compliance with the topics presented in this section. Although regulatory and ethical issues may not be considered part of efficient business management, if they are deficient, it can negatively affect the business systems of the entire organization. Reviewers should review the documentation and information provided during the desk review to determine whether the organization has in place a structure that enables the efficient and effective performance of the award, as well as compliance with regulations and requirements established by NSF and the Federal Government. For example—

98. 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 of unethical business practices?

99. Does the awardee have an adequate governance model that includes an advisory board and that promotes accountability?

100. Are there outstanding, unresolved regulatory issues? If so, what are they?

101. Are there pending legal actions regarding regulatory issues involving the organization?

Ethics

The organization must have established 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. The reviewer should consider—

102. Does the awardee have a written policy established?

103. Is there evidence that the awardee adheres to the written policy?

104. How are the policies and procedures communicated to employees?

105. Do employees formally acknowledge receipt of the policies and procedures?

106. How does the organization ensure that employees receive and understand this information?

107. Does the policy meet the expectations of NSF?

108. If not, what recommendations can be made for improvement?

Conflict of Interest Policy

If the organization employs 50 or more people, it must have a conflict of interest policy in place (GPM 510). Suggested issues to review include—

109. Is it a written and enforced policy that requires the disclosure to the organization of all significant financial interests?

110. Is the disclosure updated annually or as new reportable significant financial interests are obtained?

111. 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?

112. Does the policy include adequate enforcement mechanisms and provide for sanctions where appropriate?

113. 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?

114. Does the organization retain records relating to conflicts for 3 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?

A-133 Audits

State and local governments and non-profit organizations that expend $500,000 or more in a year in federal awards are required to engage an independent audit firm to conduct a single or program-specific audit (A-133) of its activities for that year. The A-133 audit assesses the organization's financial statements and internal controls. Reviewers should—

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

Reports of Site Visits and Internal and External Audits

The organization should have correct any conditions noted on previous audits or reviews. In addition, the current TBSR, while not an audit, provides a good opportunity to identify ways to improve internal controls, which will prepare the organization for any potential audits in the future. Specific issues include—

116. Are there any unresolved recommendations?

117. Were any adverse working conditions reported during site visits or internal audits?

118. Are there any significant issues that might affect the efficiency and effectiveness of the project?

119. Over time, have conditions been consistent? Have there been dramatic improvements or a radical decline?

Labor

The organization should have established policies regarding labor relations. In addition to the management of this process by the organization's Human Resources staff, policies related to labor management should flow from the General Management structure of the organization. Suggested issues to review include—

120. How are conflicts resolved within the organization?

121. Is there a collective bargaining agreement covering any of the organization's employees?

122. How does the organization pursue recruitment and retention of underrepresented groups to achieve a diverse workforce?

123. Are management personnel located offsite? How many? How does that affect the decision-making process?

124. Are contractors located onsite? How many? How is the contract managed?

Advisory Board and/or Committee Oversight

The organization should have adequate oversight to provide guidelines and direction for the progress and continual fulfillment of its mission and of the project. Suggested issues to review include—

125. Is there an institutional oversight function? Who is involved? Is NSF informed when appropriate? Is there an external advisory board that advises the organization's director? Is the organization's facilities director involved in this process?

126. Are advisory boards and/or committees sufficiently independent from management to constructively challenge management's decisions and act effectively?

127. Is there a charter in place? Does the charter include mission, issue resolution mechanisms, names and titles of participants, and frequency of meetings?

128. Do advisory boards and/or committees meet at least annually?

129. Are advisory boards and/or committees professionally diverse?

Miscellaneous Management Issues

The organization may have management issues that are not addressed in the above sections. Suggested miscellaneous issues to review include—

Press

130. Has the organization received negative press? Is it related to leadership or the funded project or programs?

Reporting Mechanisms

131. Does the organization have strategic, operational, and individual reports?

132. Do these reports compare actual versus budget results?

133. What is the publication frequency of these reports (e.g., monthly, quarterly, annually)?

134. Is there any duplication among these reports?

135. Do these reports assist leadership in decision making?

Communications Plan

136. Are the organization's vision, mission, and strategic goals communicated well across the organization?

137. How frequently does the awardee update its communication materials?

138. Does the communication material address managerial, technical, and personnel issues?

139. How does the organization communicate with NSF?

140. What is the process for emergency communication, both within the organization, and between the organization and NSF?

141. How do employees communicate concerns with their managers? Is the process effective in resolving those concerns?

Planning and Budget System Review

Introduction

▪ This section reviews and assesses all activities related to the planning and budget systems of an organization, beginning with identifying monetary needs, formulating the budget plan, adjusting to changing realities, and finally reconciling with financial <mark>reports</mark> *[The introduction should be revised to sharpen the focus of the Planning and Budget Systems Review section. Is the focus on the planning and budget systems of the large facility or of the awardee institution? There is considerable overlap between this section and the section on Financial Systems Review.]*

Reference Documents

142. 45 CFR Ch 6 § 602.20, "Standards for Financial Management Systems"

143. FAR Part 31.205, "Selected Costs"

144. FAR Part 31.205-33, "Professional and Consultant Service Costs"

145. GPM, Chapter IV, "Financial Requirements and Payments"

146. GPM, Section V, "Grantee Standards"

147. GPM Section 616, "Consultant Services"

148. GPM 630, "Indirect Costs"

149. OMB Circular, A-21, Paragraphs A through H

150. OMB Circular, A-21, Subparagraph J.10, "Compensation for Personal Services"

151. OMB Circular, A-21, Subparagraph J.37, "Professional Service Costs"

152. OMB Circular, A-87, Item 8, "Compensation for Personal Services"

153. OMB Circular, A-87, Item 32, "Professional Service Costs"

154. OMB Circular, A-87, Attachments A, C, D, and E

155. OMB Circular A-110, §. 21, "Standards for Financial Management Systems"

156. OMB Circular, A-122, Attachment A

157. OMB Circular, A-122, Attachment B, Item 8, "Compensation for Personal Services"

158. OMB Circular, A-122, Attachment B, Item 37, "Professional Service <mark>Costs</mark> *[It is recommended that the "NSF Cooperative Agreement Terms and Conditions" and the "NSF Cooperative Agreement Financial and Administrative Terms and Conditions" be added to the reference documents.]*

Objective of <mark>*Review*</mark> *[The focus of the objectives of this section on the large facility or the awardee institution is not currently spelled out. This would be helpful.]*

The objective of the planning and budget system review is to evaluate the adequacy of NSF awardees' budgetary practices affecting the development and execution of a thorough, realistic budget.

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

159. Written procedures for the development and execution of budgets and how they relate to annual program plans

160. Records that identify the source and application of funds including presentation of trends over time (e.g., budgeted versus actual)

161. Written procedures for determining the reasonableness, allowance, and allocation of costs, and evidence of adherence to these procedures *[The last three objectives are not directly related to planning and budgeting. They would be much more relevant for the sections on Financial Review and Financial Reporting.]*

162. Accurate and complete disclosure of the financial results of federal awards

163. Financial reports that are supported by accurate, reconcilable documents.

Areas of Concern *[Of the five areas of concern, only the first one is primarily relevant to planning and budgeting. The other areas of concern seem far more appropriate for other core functional areas. This may be clarified in the "scoping process," however there should be a minimum of overlap in the areas of concern represented by the various core functional areas]*

The following is a list of problem areas that may be encountered while reviewing the adequacy of the awardee's budgeting and financial management system. The existence of any of these deficiencies may indicate that corrective or remedial action on the part of the organization is necessary to ensure adequate accountability and control of costs incurred.

- **Absence of Written Budgeting Policies and Procedures**–Lack of a systematic process for developing, executing, and analyzing budgets and of policies codifying their relationship to program plans may result in inadequate support of programmatic objectives and inefficient use of federal funds.

- **Absence of an Accurate Financial Reporting System**–This situation may occur more frequently with new organizations. It is extremely important that all organizations receiving NSF and/or other government funds have an adequate and operational accounting system that can generate effective reports used for budget reconciliation. An adequate operational budgeting and accounting system is based on a standard method of estimating, accumulating, recording, and reporting data as it relates to the control of assets, liabilities, revenues, and expenses.

- **Absence of Personnel Policies and Procedures**–This may lead to staff not understanding or participating in their role in the budgeting process, having an inadequate compensation structure, or a system that does not accurately report budgeted versus actual costs for personnel.

- **Absence of a Project Cost Accounting System**–This may occur with new or even established organizations. A project cost accounting system is the standard method of accumulating, recording, and reporting costs incurred by each project and should be used in the budget formulation process, as well as in reconciling outlays with budgeted costs.

- **Unallowable Costs**–The organization should have knowledge of those costs that are expressly unallowable in accordance with applicable federal laws and regulations. For example, entertainment, donations, and interest expenses are unallowable under government projects. Accordingly, the organization should exclude such items in recording and claiming costs under government projects. All unallowable costs should be budgeted and recorded separately in unallowable accounts.

Subject Area Information

Desk Review Documentation Request

To assist in determining if the awardee has an effective budget planning business system in place, it is suggested that the reviewer should obtain the following documentation from the awardee:

164. Electronic access or a copy of the policies and procedures employed by the organization to formulate, develop, and track realistic budgets and estimates. If there are no written policies and procedures, obtain a description of how the organization develops realistic budgets and estimates.

165. A timeline of budget exercises performed throughout the fiscal year (e.g., development, periodic review, closeout) and, if feasible, a list of line items used in budget development. Include the most recent guidance from senior management to program and budget directors in formulating base operating budgets; include templates, if any.

166. Electronic access or copies of all policies and procedures, handbooks, manuals, etc. employed by the organization to manage the budget function *[This seems to be overly broad. There should be a way to more carefully focus this request.]*

167. Electronic access or a copy of the chart of accounts used by the organization and a summary of costs claimed, by expense category, expended for the selected sample NSF grant or cooperative agreement for the selected time period *[Why would the TBSR Team need to see financial information for a "selected sample of NSF grants or cooperative agreements"? If the TBSR is focused on a large facility, then the Team may want to see financial records related to the specific award that supports the operation of that facility. Again, this request is overly broad and needs to be scaled back].*

168.

169. Organization-wide flowchart summarizing the manual and computerized processing of transactions from origination through payment, ultimately ending in charges to the different government projects. Provide the names and titles of the personnel responsible for authorizing the transactions. If applicable, identify any recent changes implemented in the systems or processing *[This documentation request seems to be completely out of place. The information that is being requested is not directly relevant to "planning and budgeting" and appears to duplicate document requests in other core functional areas.]*

Subject Area Management

The reviewer should assess if the organization has an effective management structure in place to facilitate the formulation of accurate, timely budgets. This review should include:

170. Are lines of authority and responsibility delineated?

171. Do individuals involved with budget planning have enough authority to accomplish their duties?

172. Does the budget formulation unit have enough personnel to perform the work required to plan and formulate the budget?

173. Is it clear what each position does and the need for the position?

Planning and Budget Process

To determine whether the organization adequately manages its planning and budgeting, the reviewer should understand the organization's processes from beginning to end. The reviewer should also be familiar with the roles and responsibilities of managers. Questions to consider include:

174. Does the organization have a formal system for tying budget development to written program plans? How are the budgets for the awardee's suborganization developed *[What does "the awardee's suborganization" refer to? The focus here should be on the large facility, not the awardee institution as a whole.]*

175. Does the organization achieve realistic estimates/budgets through the use of actual costs, historical data, standard rates (e.g., MEANS for estimating construction, EPS for estimating maintenance, repair, and alteration), and/or surveys *[What are "realistic estimates/budgets"? This question should be clarified and more clearly focused.]*

176. ? *[What is this question trying to get at?]*

177. Does the organization include allowances in its estimates/budgets for known and documented delays or irregularities? Are the allowances periodically reviewed and updated?

178. Does the organization periodically compare estimated/budgeted costs to actual costs to update estimates/budgets? If so, how often are the comparisons conducted and by whom? How often are funds carried over from one fiscal year to another *[What is the point of the question about carrying over funds from one year to another? This is generally allowed by NSF Grants and Cooperative Agreements. Would the presence of carry-overs lead to the conclusion that there are problems with the organization?]*

179. Can funds be shifted between budget categories (line items, projects, etc.) during a fiscal year *[Is this question getting at the restrictions on re-budgeting that may be contained in the NSF award? If not, then what is the point of the question? It sounds like it might be more appropriate in the Financial Review or Financial Reporting sections.]* If so, at what management level are reprogramming decisions made and authorized?

180. Does the organization achieve consistent estimates/budgets by treating like costs in a like manner?

181. Does the organization provide budget reports in the format and time frame outlined in the cooperative agreement and/or contract?

182. Review documentation that supports financial reports and funding requests submitted to NSF throughout the fiscal year *[Are large facilities required to submit "financial reports and funding requests throughout the fiscal year"? The question seems to imply that this should be happening.]* Are justifications and costing methods reasonable and consistent?

183. 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. *[What does this question mean? What are "claimed" vs. "actual" practices? This item should be clarified or deleted.]*

184. Review the estimate/budget for the NSF award and the documentation supporting it to determine whether it is sufficiently supported *[This question seems to be inappropriate. The review of the budget for the NSF award (presumably the award currently in effect) should have been done as part of the pre-award review process. Since the award was made, one might assume that the process was successful. What is the point of revisiting this topic during the TBSR? Is it referring to a funding request that is currently pending before the NSF?]*

185. 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 one. Where differences in estimate/budget versus actual costs exist, determine the reason for the deviation.

186. In what way are program managers/directors involved with formulating budgets? What kinds of templates are used to provide guidance to program managers/directors? What assumptions are made during the process? Do program managers/directors provide substantive input during the formulation phase? If not, is there an organized mechanism for capturing their experience and

expertise? Do program managers/directors periodically track their budgeted actuals against plans during the execution phase? If not, who does this and who reviews it?

187. How are budgets adjusted when unexpected situations make it necessary to add/subtract from budget line items? How are adjustments tracked from the baseline?

188. How does the awardee close out at the end of the fiscal <mark>year</mark> *[This implies that there is a requirement to close out an award at the end of the fiscal year. I am not aware of any such requirement. Should the question refer to the "end of the budget period" or the "end of the award"?]*

189. and how are end-of-the-year reports developed and delivered to NSF? Is this reporting in compliance with the awardee's Cooperative Agreement?

190. Are costs for line items such as travel, consultants, and fringe benefits properly planned for and included in the <mark>budget</mark> *[Why single out these particular line items? What about other items such as salaries, subcontracts, etc?]*

191. How are open purchase orders and subawards managed? Are there stale obligations on the books? What proportion of current expenditures are "actuals" vs. "<mark>obligated</mark> *[This is not a "planning and budgeting" question. It is more properly included in the review of the financial and/or procurement systems.]*

Financial <mark>System</mark> *[This seems highly redundant. These same questions are included elsewhere in the TBSR].*

The reviewer should understand the tracking and reporting capabilities of the organization's financial system. Questions include:

192. Do the awardee's records identify the source and application of funds?

193. Is the system capable of producing accurate, thorough financial reports that can be used to develop budgets or to reconcile cost outlays with the budget?

194. How is an acquisition requested, approved, and recorded? At what point are "funds available" verified and by whom?

(Review Team Members, NSF)

Financial System Review

Introduction

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

Reference Documents

45 CFR Ch 6 § 602.20, "Standards for Financial Management Systems"

FAR Part 31.205, "Selected Costs"

FAR Part 31.205-33, "Professional and Consultant Service Costs" *[These should only be included if contracts are used to fund the NSF major facilities. It was our impression in the meeting we had that contracts were not normally used]*

GPM, Chapter IV, "Financial Requirements and Payments"

GPM, Section V, "Grantee Standards"

GPM Section 616, "Consultant Services"

GPM 630, "Indirect Costs"

OMB Circular, A-21, Paragraphs A through H

OMB Circular, A-21, Subparagraph J.10, "Compensation for Personal Services"

OMB Circular, A-21, Subparagraph J.37, "Professional Service Costs"

OMB Circular, A-87, Item 8, "Compensation for Personal Services"

OMB Circular, A-87, Item 32, "Professional Service Costs"

OMB Circular, A-87, Attachments A, C, D, and E

OMB Circular A-110, §. 21, "Standards for Financial Management Systems"

OMB Circular, A-122, Attachment A

OMB Circular, A-122, Attachment B, Item 8, "Compensation for Personal Services"

OMB Circular, A-122, Attachment B, Item 37, "Professional Service Costs"

Objective of Review

The objective of the financial management system review is to evaluate the adequacy of NSF awardees' financial management practices affecting the incurrence and control of costs.

The organization *[It would be helpful to delineate in some fashion the overall organization from the NSF major facility itself. In some instances, when the facility is basically the organization itself (as in a not-for-profit entity that exists to "house" the facility), such delineation is not needed. However, if a university is involved it almost always is going to require a bifurcation of review and responsibilities between the institutional policies and procedures (sponsored programs office) and the NSF major facility's role and responsibilities in operating under those institutional policies and procedures.]* 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 including presentation of trends over time (e.g., budgeted versus actual)

Effective control over and accountability for all funds, property, and other assets

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 (if cash advance basis)

Written procedures for determining the reasonableness, allocability and allowability of costs

Accounting records that are supported by source documentation.

Areas of Concern

The following is a list of problem areas that may be encountered while reviewing the adequacy of the awardee's financial management system. The existence of any of these deficiencies may indicate that corrective or remedial action on the part of the organization is necessary to ensure adequate accountability and control of costs incurred.

Absence of a Financial Accounting System–This situation may occur more frequently with new organizations. It is extremely important that all organizations receiving NSF and/or other government funds have an adequate and operational accounting system; otherwise, the task of administering and accounting for costs and funds under the government project(s) cannot be relied upon, resulting in the probable detriment of the project(s). An adequate, operational accounting system is based on a standard method of estimating, accumulating, recording, and reporting data as it relates to the control of assets, liabilities, revenues and expenses.

Absence of a Project Cost Accounting System–This may occur with new or even established organizations. A project cost accounting system is the standard method of accumulating, recording, and reporting costs incurred by each project.

Absence of Written Accounting Policies and Procedures–Under these circumstances, a lack of uniformity in accounting practices exists. This situation results in inconsistent treatment of similar costs incurred for like purposes under different projects. Consequently, certain projects are unfairly burdened with costs attributable to other projects.

Absence of Personnel Policies and Procedures–This deficiency may lead to unfair compensation practices which may result in inequities and inconsistencies in accounting for personnel costs (e.g., fringe benefits which are paid only to employees working on federal projects) *[This section should be handled in the Human Resources section. In our mind it does not fit in a review of the financial systems.]*

Absence of Time and Effort Reporting Requirements–Where time and effort reporting requirements are not observed, there is considerable doubt as to the accuracy of recorded and claimed labor costs.

Unallowable Costs–The organization should have knowledge of those costs that are expressly unallowable in accordance with applicable federal laws and regulations. For example, entertainment, donations, and interest expenses are unallowable under government projects. Accordingly, the organization should exclude such items in recording and claiming costs under government projects. All unallowable costs should be accounted for and must be recorded separately in unallowable accounts.

Subject Area Information

Desk Review Documentation Request

To assist in determining if the awardee has an effective financial management business system in place, it is suggested that the reviewer obtain the following documentation from the awardee:

- A copy of the organization's A-133 Audit. The review team may also request a copy of the working papers of the organization's auditor, in accordance with OMB Circular A-133. This latter should only be done if the A-133 audit reveals significant adverse audit findings *[The NSF TBSR review team must work with and rely heavily on the institution's A-133 audit. If the audit is conducted by a public accounting firm (as opposed to state auditors) it is imperative that there at least be communication with the auditors. Unless there is some reason to suspect that the A-133 audit was insufficient, the review team should simply spot check some key areas.]*

- A copy of the organization's Cost Accounting Standards Board (CASB) Disclosure (DS-2). *[The organization, if it is under A-21, should have a DS-2. If it doesn't that will tell you a lot. The team needs to inquire as to whether or not the DC-s has been audited and approved by the cognizant federal agency. Changes to the DS-2 are required to be submitted and approved as well, so checking the status of revisions is important.]*

- Organization-wide flowchart summarizing the manual and computerized processing of transactions from origination through payment, ultimately ending in charges to the different government projects. Provide the names and titles of the personnel responsible for authorizing the transactions. If applicable, identify any recent implemented changes in the systems or processing *[This item should only be made available if the institution or major facility already has one. It might be practical to have such a thing for an individual facility, but it would be extremely difficult to have such a flowchart for a major research institution. This should be highlighted as optional!]*

- Electronic access or copies of all policies and procedures, handbooks, manuals, etc. employed by the organization to manage the finance function. Include a description of the internal control policies and procedures.

- Electronic access or a copy of the chart of accounts used by the organization and a summary of costs claimed, by expense category, expended for the selected sample NSF grant or cooperative agreement for the selected time period.

- List of accounting transactions from the general ledger related to the NSF award for a 1-month period. From this list, a sample of transactions to be reviewed onsite will be selected and provided to the awardee in advance for the review of supporting documents.

- Copy of the most recent, audited financial statement *[This should be included with the above A-133 packet. The Audit package ought to contain the financial statement, but it should also have the management letter.]*

- List of capitalized personal property inventory *[This needs to be in the property management section. No need to be redundant on it by including it here.]*

Subject Area Management

The reviewer should assess if the organization *[Make a distinction between what is needed for the entire organization versus what is for the NSF major facility. Some of the detailed questions may be relevant for the facility, but would be a mere skimming the surface if applied to the whole institution.]* has an effective

structure in place to sufficiently carry out the functions related to the organization's financial management system. This review should include areas such as:

Are lines of authority and responsibility delineated?

Do individuals involved with financial management have enough authority to accomplish their duties?

Does the finance department have enough personnel to perform the work required?

Is it clear what each position does and the need for the position?

Are there any situations in the management structure which could lead to conflicts of interest?

Financial System

The reviewer should seek to determine if the organization has an effective financial system in place to properly administer funds awarded and cost incurred under federal awards. The reviewer should <mark>perform</mark> *[For the whole document it would be worthwhile to make it extremely clear that most of this analysis needs to take place BEFORE the site visit, using the materials that are sent to the team from the organization. Institutions will respond in fear and horror if they think they are going to be grilled on this during the site visit. Most of this can be verified (or should be) by looking at the A-133 audit report. In that regard, you might want to look for a different word than "**verify**". That word sounds too much like an audit – as if the team were going to draw statistically valid samples on all this and test to see that everything was done properly. Perhaps "**confirm**" would be a better word. A-133 audit teams generally spend months at an institution testing and "verifying" these things. If this section is not written carefully to avoid overly aggressive "reviewers" from conducting their own audits, the TBSR reviews could turn into monsters for both the NSF and the organization.]* the following:

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 that 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.

Verify that adequate procedures exist for approving and documenting, correcting, adjusting, closing, credit and transfer entries, and reconciling all subsidiary cost ledgers and cost objectives to the general ledger accounts.

Verify that transactions are recorded in a timely manner.

Verify that the organization exercises effective control over and accountability for all funds, property, and other assets. Specifically:
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 the cash journal, and performance of bank reconciliation?
Are employees involved in record keeping or custody of assets or in some other position of trust adequately bonded?

Verify that the organization has developed written procedures and utilizes them 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.

Verify that the organization has developed written procedures and utilizes them to determine the reasonableness, allowability, <mark>allocability</mark> *[Allocability is a standard for allowable costs and it is different from the proper allocation of costs. Allocability means that there is a clear relationship between the cost and the research goals of the project.]* consistency of treatment of costs and proper allocation of costs.

Verify that capitalized property records have, at a minimum, the acquisition document number, acquisition date, and cost *[This should be in the property section. It would be redundant here and not really applicable to the financial system.]*

Indirect Costs *[It is not clear why this section needs to be included here. If a "primer" on indirect is needed, it should be put in an appendix. This simply raises anxiety levels when included in the review section. We HIGHLY recommend its relocation or removal.]*

The following represents a short "primer" on indirect costs, or as they are more properly referred to in the context of A-110 institutions, "facilities and administrative costs (F&A). It is hoped that team members will benefit from a better understanding of the nature of indirect costs. Most importantly, calling these costs indirect does not mean that they are not directly related to the execution of the project, but that they are *calculated* indirectly. Indirect costs are real costs that directly support the operation and goals of a grant or cooperative agreement.

Indirect costs are those costs not readily and specifically identified with a particular sponsored project or any other organizational activity, but rather are incurred by an organization for the joint benefit of the project and other objectives. Such costs are usually grouped into common pools and charged to benefiting objectives through an allocation process.

In theory, all costs might be charged directly. Practical difficulties, however, preclude such an approach. For instance, electricity in a particular lab cannot be readily or specifically assignable to one or another research project. In fact, metering electricity may not even be practical at a building level at a large institution. Accordingly, an indirect cost rate is established as a device for determining fairly and expeditiously the proportion of such general expenses that each project will bear. The indirect cost rate for research is the ratio between the total expenses for facilities and administration for research of an organization are divided by the direct cost for research. Common direct cost bases are salaries and wages, total direct costs, or some modification thereof.

Award actions may contain indirect cost rates and bases that do not agree with the organization's negotiated rate agreement. The organization may choose to cost share some of the indirect cost or for some other reason may choose to propose an indirect cost rate that is different from its negotiated cost methodology. NSF will generally incorporate the proposed rate and allocation base in the award action if it results in lower costs to NSF.

As with other areas, the award/contract terms determine what costs can be claimed. The organization's accounting system should still identify and allocate costs in accordance with its prescribed accounting methodology (see Negotiated Indirect Rate Agreement); however, the organization will only be allowed to bill or claim costs in accordance with the terms of the award/agreement.

The difference between the incurred indirect cost allocable to an award (based on the accounting system) and the billable or claimed indirect cost represents an under (loss) or over (windfall) recovery of indirect costs. These differences must be properly identified and accounted for *[This is incomprehensible. Under what possible circumstances could an institution have a windfall recovery of indirect costs? This is inflammable language that further exacerbates the misperceptions people have about indirect costs.]*

RECOMMEND STARTING SECTION HERE AND RELOCATING OR LEAVING OUT ALL THE ABOVE MATERIAL ON INDIRECT.

The reviewer should ascertain whether the organization has a current negotiated rate established with NSF or another federal agency and is using the rate; is accounting for indirect costs in accordance with the established rate methodology (see Negotiated Rate Agreement); or is claiming indirect costs in accordance with the award terms and conditions.

Reviewers should conduct an indirect cost review to determine if the organization is consistently accounting for several key areas. If applicable, the review of the following areas should be performed:

Fringe benefits

Equipment, supplies, and materials

Travel

Consultant costs. *[These are all defined direct costs, why are they located here? If this cannot be cleared up this paragraph should be deleted.]*

Some specific issues/questions to review include:

Does the organization have policies and procedures in place to identify whether costs are to be treated as direct or indirect?

Does the organization have controls that identify and segregate unallowable costs?

Is the organization accounting for indirect costs in accordance with the established rate methodology?

Is the organization claiming costs in accordance with the terms and conditions contained in the award instrument?

Are indirect costs booked to the project in accordance with established accounting methodology?

Is the organization properly claiming the level of indirect costs?

Time and Effort

This section provides guidance for conducting a review of labor costs and compensation policies at any organization. The reviewer should determine if labor costs are allowable, allocable, reasonable, and consistent. It is also important to determine if the awardee institution maintains a system to document and support salary personnel charges to NSF awards.

Reviewers should select a sample of time and attendance records for verification of accuracy and compliance with organizational policy, as well as NSF and other federal requirements. *[Unless the A-133 audit indicates a problem here, the sample size should be specifically limited – a spot check – on the specific grant that funds the major facility. The data should be requested in advance and reviewed before the site visit. Follow up questions could be asked if some aspect needed further clarification.]*

[The reference to time and attendance records is not appropriate for A-21 cost principles. Level of effort is all that is to be documented and reviewed.] Reviewers should:

Obtain a list of salary charges to the major facility award an NSF award *[The reference to time and attendance records is not appropriate for A-21 cost principles. Level of effort is all that is to be documented and reviewed.]* from the project cost summary by employee name

Select a sample of direct labor charges to review

Determine what payroll period the employee(s) in the sample charged labor or salary as a direct charge (or as cost sharing) to the award being reviewed

Select a mix of employees (i.e., scientific, administrative, exempt, and nonexempt) where possible

Verify that the time and effort reports match the payroll period that the salary was charged to the NSF facility grant

Based on the sample that has been selected and using professional judgment, determine whether the charges to the NSF major facility grant or cooperative agreement are adequately documented.

Some time and effort systems may be automated or kept on a computer and it may be necessary to use printouts or work online.

Reviewers should verify the elements that appear on the time and effort reports reviewed. The following elements should appear in the sample (time card or electronic version):

Employee name and/or identification number

Project number or account code

Hours or percentage of effort charged

Total effort for that pay period

Employee signature and/or supervisory (with first-hand knowledge about the employee's activities) signature.

Travel

Travel costs include expenses for transportation, lodging, subsistence, food, taxi, tolls and other incidental expenses incurred by employees and outside consultants in travel status.

Travel is allowable as a direct cost to a particular sponsored project where it provides a direct benefit to that activity and is necessary and reasonable expense. Where travel is charged to an individual award there should be documentation (such as a travel authorization) describing the travel and explaining how/why this trip is directly related or will help accomplish award objectives.
The awardee should also have a reasonable basis for the allocation of travel costs if they are charged partially to two or more awards.

Travel costs are allowable as indirect cost pool expenses where it occurs in the normal course of business of the awardee or benefits more than one particular project. NSF has waived the cost principal requirements for Agency prior approval of travel costs.

[This narrative is unnecessary and confusing. This is a review guide. Whoever is reviewing the financial systems better know what travel costs are and not need to have them explained. Delete this section or relocate to some appendix.] Reviewers should obtain a copy of the organization's travel policies and procedures and review supporting documentation for travel costs *[Major research institutions have their travel policies approved by their cognizant agency. You should simply ask as part of the up front material whether or not the institution has an approved travel policy.]*

If the approved budget indicates that travel costs are authorized, the reviewer should review procedures maintained by the awardee to control and document travel expenditures.
If the awardee does not maintain documented travel procedures, they must comply with federal travel guidelines. In these cases, any travel paid for with federal funds must be consistent with the Federal travel guidelines *[This is a confusing sentence, and probably inaccurate in the way that it is stated. Again*

this is instruction that should not take place in the TBSR Guide.] Typical supporting documents would include:

A travel authorization document that approves the travel in advance and explains the purpose of the travel and its relation to travel objectives

An after the fact expense report detailing the types of travel expenses claimed and showing advances, if any, and liquidation of that amount

Original receipts should be maintained with travel records to reduce the possibility of claiming the same expense for reimbursement on more than one award or to 3rd party sources

Reviewers should select a sample *[Again, there should be restrictions on sample size. We mentioned in our meeting that the whole issue of taking samples is extremely complex. There should be a paragraph or two in the introductory information or an appendix to address this issue. "Fishing trips" need to be avoided. This is a review intended to help the institution be a better steward of federal funds. The review is not out to "nail" the institution. If sample instructions are not carefully given to the team, individual team members might abuse their role. Finally none of this should be necessary if the institution has an approved travel policy and a clean A-133 audit.]* of travel transactions to determine if the awardee institution consistently follows its procedures. If not, reviewers should determine if exemptions to travel policies are approved in writing in advance by a responsible official within the organization. Transactions sampled should also be reviewed to determine if cost claimed for travel are necessary, reasonable, and allocable to the NSF award.

Consultants

Consultants are identified as persons (i.e., individuals) who are members of a particular profession or possess a special skill. Although a consultant agreement is technically a type of contract, under NSF awards, consultants are categorized differently than sub-award agreements.

Generally, consultant services are provided by individuals to give technical advice and support to the awardee organization. Consultants work under the awardee organization's direction to achieve the goals of the project. Typically, consultant agreements do not bind the consultant to a finite deliverable.

In contrast, sub-award agreements are typically made to organizations and not to individuals. The agreements are generally more formal with stated deliverables and deadlines. Unlike consultants, sub-awardees are contracted to accomplish a piece (or pieces) of the project independent or with very little direction from the primary awardee.
[These two paragraphs are like the ones for indirect costs and travel. They are confusing the issues and shouldn't be in the TBSR Guide. Besides, these are definitions that should be addressed in the procurement section, not in the financial systems section. Financial systems are not responsible for making a determination of whether a third entity is a vendor or subrecipient, a subcontractor or a consultant or a purchase of service.] The primary objective of the review is to determine that the claimed or proposed costs are reasonable, allowable and allocable in accordance with the cost principles and NSF policy *[This doesn't belong here – if it is necessary it should be in the earlier chapters that discuss the purpose of a TBSR.]*

Reviewers should request a listing of consultants being charged to the identified major facility award and select a sample of the consultant agreements for further review. Reviewers should verify that the rate of pay does not exceed any applicable NSF consultant limit and ensure that the agreement(s) contain the following items:

Name of the consultant

Rate of pay

Period of performance

Description of services to be provided

Other data (e.g., cost information on indirect charges, travel, per diem and supplies)

Reviewers should review a sample of paid invoices to determine compliance with the agreement and to determine if the invoice contains sufficient information to indicate that the work performed relates to the NSF award. The selected invoices should contain sufficient information to allow for the calculation of the daily rate paid. The salary portion of the invoices should be separate and distinct from all other costs and should be reflected in dollars per hour or day.

Reviewers should ensure that the consultant was not paid over the NSF allowable limit keeping in mind the period of the services provided *[How many times does this need to be said? Once is sufficient!]* 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

Determine whether there is 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?

Introduction

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

Reference Documents

195. 45 CFR Ch 6 § 602.20, "Standards for Financial Management Systems"

196. FAR Part 31.205, "Selected Costs"

197. FAR Part 31.205-33, "Professional and Consultant Service Costs"

198. GPM, Chapter IV, "Financial Requirements and Payments"

199. GPM, Section V, "Grantee Standards"

200. GPM Section 616, "Consultant Services"

201. GPM 630, "Indirect Costs"

202. OMB Circular, A-21, Paragraphs A through H

203. OMB Circular, A-21, Subparagraph J.10, "Compensation for Personal Services"

204. OMB Circular, A-21, Subparagraph J.37, "Professional Service Costs"

205. OMB Circular, A-87, Item 8, "Compensation for Personal Services"

206. OMB Circular, A-87, Item 32, "Professional Service Costs"

207. OMB Circular, A-87, Attachments A, C, D, and E

208. OMB Circular A-110, §. 21, "Standards for Financial Management Systems"

209. OMB Circular, A-122, Attachment A

210. OMB Circular, A-122, Attachment B, Item 8, "Compensation for Personal Services"

211. OMB Circular, A-122, Attachment B, Item 37, "Professional Service Costs"

Objective of Review

The objective of the financial management system review is to evaluate the adequacy of NSF awardees' financial management practices affecting the incurrence and control of costs.

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

212. Accurate and complete disclosure of the financial results of federal awards

213. Records that identify the source and application of funds including presentation of trends over time (e.g., budgeted versus actual)

214. Effective control over and accountability for all funds, property, and other assets

215. 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 (if cash advance basis)

216. Written procedures for determining the reasonableness, allocability and allowability of costs

217. Accounting records that are supported by source documentation.

Areas of Concern

The following is a list of problem areas that may be encountered while reviewing the adequacy of the awardee's financial management system. The existence of any of these deficiencies may indicate that corrective or remedial action on the part of the organization is necessary to ensure adequate accountability and control of costs incurred.

- **Absence of a Financial Accounting System**–This situation may occur more frequently with new organizations. It is extremely important that all organizations receiving NSF and/or other government funds have an adequate and operational accounting system; otherwise, the task of administering and accounting for costs and funds under the government project(s) cannot be relied upon, resulting in the probable detriment of the project(s). An adequate, operational accounting system is based on a standard method of estimating, accumulating, recording, and reporting data as it relates to the control of assets, liabilities, revenues and expenses.

- **Absence of a Project Cost Accounting System**–This may occur with new or even established organizations. A project cost accounting system is the standard method of accumulating, recording, and reporting costs incurred by each project.

- **Absence of Written Accounting Policies and Procedures**–Under these circumstances, a lack of uniformity in accounting practices exists. This situation results in inconsistent treatment of similar costs incurred for like purposes under different projects. Consequently, certain projects are unfairly burdened with costs attributable to other projects.

- **Absence of Personnel Policies and Procedures**–This deficiency may lead to unfair compensation practices which may result in inequities and inconsistencies in accounting for personnel costs (e.g., fringe benefits which are paid only to employees working on federal projects).

- **Absence of Time and Effort Reporting Requirements**–Where time and effort reporting requirements are not observed, there is considerable doubt as to the accuracy of recorded and claimed labor costs.

- **Unallowable Costs**–The organization should have knowledge of those costs that are expressly unallowable in accordance with applicable federal laws and regulations. For example, entertainment, donations, and interest expenses are unallowable under government projects. Accordingly, the organization should exclude such items in recording and claiming costs under government projects. All unallowable costs should be accounted for and must be recorded separately in unallowable accounts.

Subject Area Information

Desk Review Documentation Request

To assist in determining if the awardee has an effective financial management business system in place, it is suggested that the reviewer obtain the following documentation from the awardee:

218. Organization-wide flowchart summarizing the manual and computerized processing of transactions from origination through payment, ultimately ending in charges to the different government projects. Provide the names and titles of the personnel responsible for authorizing the transactions. If applicable, identify any recent implemented changes in the systems or processing.

219. Electronic access or copies of all policies and procedures, handbooks, manuals, etc. employed by the organization to manage the finance function. Include a description of the internal control policies and procedures.

220. Electronic access or a copy of the chart of accounts used by the organization and a summary of costs claimed, by expense category, expended for the selected sample NSF grant or cooperative agreement for the selected time period.

221. List of accounting transactions from the general ledger related to the NSF award for a 1-month period. From this list, a sample of transactions to be reviewed onsite will be selected and provided to the awardee in advance for the review of supporting documents.

222. Copy of the most recent, audited financial statement.

223. List of capitalized personal property inventory.

Subject Area Management

The reviewer should assess if the organization has an effective structure in place to sufficiently carry out the functions related to the organization's financial management system. This review should include areas such as:

224. Are lines of authority and responsibility delineated?

225. Do individuals involved with financial management have enough authority to accomplish their duties?

226. Does the finance department have enough personnel to perform the work required?

227. Is it clear what each position does and the need for the position?

228. Are there any situations in the management structure which could lead to conflicts of interest?

Financial System

The reviewer should seek to determine if the organization has an effective financial system in place to properly administer funds awarded and cost incurred under federal awards. The reviewer should perform the following:

229. 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 that 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.

230. Verify that adequate procedures exist for approving and documenting, correcting, adjusting, closing, credit and transfer entries, and reconciling all subsidiary cost ledgers and cost objectives to the general ledger accounts.

231. Verify that transactions are recorded in a timely manner.

232. Verify that the organization exercises effective control over and accountability for all funds, property, and other assets. Specifically:

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 the cash journal, and performance of bank reconciliation?

Are employees involved in record keeping or custody of assets or in some other position of trust adequately bonded?

233. Verify that the organization has developed written procedures and utilizes them 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.

234. Verify that the organization has developed written procedures and utilizes them to determine the reasonableness, allowance, and allocation of costs.

235. Verify that capitalized property records have, at a minimum, the acquisition document number, acquisition date, and cost.

Indirect Costs

Indirect costs are those costs not readily identified with a project or any other organizational activity, but rather incurred by an organization for the joint benefit of the project and other objectives. Such costs are usually grouped into common pools and charged to benefiting objectives through an allocation process.

In theory, all costs might be charged directly. Practical difficulties, however, preclude such an approach. Accordingly, an indirect cost rate is established as a device for determining fairly and expeditiously the proportion of such general expenses that each project will bear. The indirect cost rate is the ratio between

the total indirect expenses of an organization and some direct cost base. Common direct cost bases are salaries and wages, total direct costs, or some modification thereof.

Award actions may contain indirect cost rates and bases that do not agree with the organization's negotiated rate agreement. The organization may choose to cost share some of the indirect cost or for some other reason may choose to propose an indirect cost rate that is different from its negotiated cost methodology. NSF will generally incorporate the proposed rate and allocation base in the award action if it results in lower costs to NSF.

As with other areas, the award/contract terms determine what costs can be claimed. The organization's accounting system should still identify and allocate costs in accordance with its prescribed accounting methodology (see Negotiated Indirect Rate Agreement); however, the organization will only be allowed to bill or claim costs in accordance with the terms of the award/agreement.

The difference between the incurred indirect cost allocable to an award (based on the accounting system) and the billable or claimed indirect cost represents an under (loss) or over (windfall) recovery of indirect costs. These differences must be properly identified and accounted for.

The reviewer should ascertain whether the organization has a current negotiated rate established with NSF or another federal agency and is using the rate; is accounting for indirect costs in accordance with the established rate methodology (see Negotiated Rate Agreement); or is claiming indirect costs in accordance with the award terms and conditions.

Reviewers should conduct an indirect cost review to determine if the organization is consistently accounting for several key areas. If applicable, the review of the following areas should be performed:

236. Fringe benefits

237. Equipment, supplies, and materials

238. Travel

239. Consultant costs.

Some specific issues/questions to review include:

240. Does the organization have policies and procedures in place to identify whether costs are to be treated as direct or indirect?

241. Does the organization have controls that identify and segregate unallowable costs?

242. Is the organization accounting for indirect costs in accordance with the established rate methodology?

243. Is the organization claiming costs in accordance with the terms and conditions contained in the award instrument?

244. Are indirect costs booked to the project in accordance with established accounting methodology?

245. Is the organization properly claiming the level of indirect costs?

Time and Effort

This section provides guidance for conducting a review of labor costs and compensation policies at any organization. The reviewer should determine if labor costs are allowable, allocable, and reasonable. It is

also important to determine if the awardee institution maintains a system to document and support salary charges to NSF awards.

Reviewers should select a sample of time and attendance records for verification of accuracy and compliance with organizational policy, as well as NSF and other federal requirements.

Time and attendance records indicate that a particular employee was present for duty or out on vacation, sick, or annual leave. Time and effort reports indicate what particular project or job number the employee was working on for how many hours or what proportion of his or her effort.

Reviewers should:

246. Obtain a list of salary charges to an NSF award from the project cost summary by employee name

247. Select a sample of direct labor charges to review

248. Determine what payroll period the employee(s) in the sample charged labor or salary as a direct charge (or as cost sharing) to the award being reviewed

249. Select a mix of employees (i.e., scientific, administrative, exempt, and nonexempt) where possible

250. Verify that the time and effort reports match the payroll period that the salary was charged to the NSF sponsored project

251. Based on the sample that has been selected and using professional judgment, determine whether the charges to the NSF-sponsored project are adequately documented.

Some time and effort systems may be automated or kept on a computer and it may be necessary to use printouts or work online.

Reviewers should verify the elements that appear on the time and effort reports reviewed. The following elements should appear in the sample (time card or electronic version):

252. Employee name and/or identification number

253. Project number or account code

254. Hours or percentage of effort charged

255. Total effort for that pay period

256. Employee signature and/or supervisory (with first-hand knowledge about the employee's activities) signature.

Travel

Travel costs include expenses for transportation, lodging, subsistence, food, taxi, tolls and other incidental expenses incurred by employees and outside consultants in travel status.

Travel is allowable as a direct cost to a particular sponsored project where it provides a direct benefit to that activity and is necessary and reasonable expense. Where travel is charged to an individual award there should be documentation (such as a travel authorization) describing the travel and explaining how/why this trip is directly related or will help accomplish award objectives.
The awardee should also have a reasonable basis for the allocation of travel costs if they are charged partially to two or more awards.

Travel costs are allowable as indirect cost pool expenses where it occurs in the normal course of business of the awardee or benefits more than one particular project. NSF has waived the cost principal requirements for Agency prior approval of travel costs.

Reviewers should obtain a copy of the organization's travel policies and procedures and review supporting documentation for travel costs.

If the approved budget indicates that travel costs are authorized, the reviewer should review procedures maintained by the awardee to control and document travel expenditures.
If the awardee does not maintain documented travel procedures, they must comply with federal travel guidelines. In these cases, any travel paid for with federal funds must be consistent with the Federal travel guidelines. Typical supporting documents would include:

257. A travel authorization document that approves the travel in advance and explains the purpose of the travel and its relation to travel objectives

258. An after the fact expense report detailing the types of travel expenses claimed and showing advances, if any, and liquidation of that amount

259. Original receipts should be maintained with travel records to reduce the possibility of claiming the same expense for reimbursement on more than one award or to 3rd party sources

Reviewers should select a sample of travel transactions to determine if the awardee institution consistently follows its procedures. If not, reviewers should determine if exemptions to travel policies are approved in writing in advance by a responsible official within the organization. Transactions sampled should also be reviewed to determine if cost claimed for travel are necessary, reasonable, and allocable to the NSF award.

Consultants

Consultants are identified as persons (i.e., individuals) who are members of a particular profession or possess a special skill. Although a consultant agreement is technically a type of contract, under NSF awards, consultants are categorized differently than sub-award agreements.

Generally, consultant services are provided by individuals to give technical advice and support to the awardee organization. Consultants work under the awardee organization's direction to achieve the goals of the project. Typically, consultant agreements do not bind the consultant to a finite deliverable.

In contrast, sub-award agreements are typically made to organizations and not to individuals. The agreements are generally more formal with stated deliverables and deadlines. Unlike consultants, sub-awardees are contracted to accomplish a piece (or pieces) of the project independent or with very little direction from the primary awardee.

The primary objective of the review is to determine that the claimed or proposed costs are reasonable, allowable and allocable in accordance with the cost principles and NSF policy.

The awardee must limit the amounts paid to consultants under NSF awards. Recovery for personal compensation of consultants is limited to the daily equivalent of the rate paid to an Executive Schedule Level IV federal employee (exclusive of indirect cost, travel, per diem, clerical services, fringe benefits and supplies). The limitation is statutorily imposed and included in NSF's annual appropriation.

In light of the above, during a TBSR site visit, reviewers should ensure that the applicable allowable daily rate limit for consultant pay was not exceeded. For maximum allowable rates, see Award and Agreement Conditions at: http://www.nsf.gov/home/awards/awards_gac.htm

Other problem areas include lack of written policies & procedures, lack of or inadequately documented consulting agreements that fully disclose the rate of pay and consultant agreements that do not contain a statement of work.

Reviewers should request a listing of consultants being charged to the identified award(s) and select a sample of the consultant agreements for further review. Reviewers should verify that the rate of pay does not exceed the NSF consultant limit and ensure that the agreement(s) contain the following items:

260. Name of the consultant

261. Rate of pay

262. Period of performance

263. Description of services to be provided

264. Other data (e.g., cost information on indirect charges, travel, per diem and supplies)

Reviewers should review a sample of paid invoices to determine compliance with the agreement and to determine if the invoice contains sufficient information to indicate that the work performed relates to the NSF award. The selected invoices should contain sufficient information to allow for the calculation of the daily rate paid. The salary portion of the invoices should be separate and distinct from all other costs and should be reflected in dollars per hour or day.

Reviewers should ensure that the consultant was not paid over the NSF allowable limit keeping in mind the period of the services provided.

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

Determine whether there is 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?

Introduction

This section reviews and assesses activities for performing cash requests and the preparation of the FCTR including a review of the policies, procedures, and systems used to record related expenses and program revenues.

Reference Documents

265.GPM, Chapter IV, "Financial Requirements and Payments"

266.OMB Circular A-110, §. 21, "Standards for Financial Management Systems"

Objective of Review

The objective of the Financial Reporting review is to evaluate the policies, procedures, and systems used to record expenses and program revenues in relation to cash requests and the preparation of the FCTR.

The review process also considers procedures and controls for property, plant and equipment, and accounting systems in the context of their broader potential impact on the NSF financial statements and the Division of Financial Management's (DFM) operations.

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

267.Accurate requests for cash

268.Accurate and timely FCTR preparation

269.Records that identify the link between the FCTR and the general ledger

270.Effective control over and accountability for permissions for accessing FastLane

271.Written policies and procedures that document the FCTR and cash request process

272.Accounting records that are supported by source documentation.

Areas of Concern

The following is a list of problem areas that may be encountered while reviewing the adequacy of FCTR processes. The existence of any of these deficiencies may indicate that corrective or remedial action on the part of the organization is necessary:

- **Absence of a Financial Accounting System**–This situation may occur more frequently with new organizations. It is extremely important that all organizations receiving NSF and/or other government funds have an adequate and operational accounting system; otherwise, the task of administering and accounting for costs and funds under the government project(s) cannot be relied upon, resulting in the probable detriment of the project(s). An adequate operational budgeting and accounting system is based on a standard method of estimating, accumulating, recording, and reporting data as it relates to the control of assets, liabilities, revenues, and expenses.

- **Absence of Time and Effort Reporting Requirements**–Where time and effort reporting requirements are not observed there is considerable doubt as to the accuracy of recorded and claimed labor costs.

Subject Area Information

Desk Review Documentation Request

To assist in determining if the awardee has an effective FCTR business system in place, it is suggested that the reviewer obtain the following documentation from the awardee:

273. An organization-wide flowchart summarizing the manual and computerized processing of transactions from origination through payment, ultimately ending in charges to the different government projects. In addition, provide the names and titles of the personnel responsible for authorizing the transactions. If applicable, identify any recent changes implemented in the systems or processing.

274. Electronic access or copies of all policies and procedures, handbooks, manuals, etc. employed by the organization to manage the budget and finance function; include a description of the internal control policies and procedures.

275. Electronic access or a copy of the policies and procedures employed by the organization to develop and track realistic budgets and estimates. If there are no written policies and procedures, provide a description of how the organization develops realistic budgets and estimates. Include a timeline of budget exercises performed throughout the fiscal year (e.g., development, periodic review, and closeout). If feasible, include a list of line items used in budget development.

276. Electronic access or a copy of the chart of accounts used by the organization and a summary of costs claimed, by expense category.

277. List of accounting transactions from the general ledger related to the NSF grant or cooperative agreement for at least a 1-month period.

Subject Area Management

The reviewer should assess if the organization has an effective structure in place to sufficiently carry out the functions related to the FCTR system. This review should include areas such as:

278. Are lines of authority and responsibility delineated?

279. Do individuals involved with FCTR have enough authority to accomplish their duties?

280. Does the awardee have enough personnel to perform the work required?

281. Is it clear what each position does and the need for the position?

282. Are there any situations in the management structure which could lead to conflicts of interest?

FCTR Review

The reviewer should assess if the organization has an effective FCTR reporting mechanism in place. In order to verify and test the completeness and accuracy of reporting the reviewer should:

283. Select a sample of award expenditure amounts reported on FCTRs for the fiscal year under review

    Trace amounts to books and records (project cost ledger or summary)

284. Select a sample of expense items from the books and records (project cost ledger or summary)

    Trace the amounts to source documentation for the individual expense
    - Awardees should be able to demonstrate that FCTR amounts are fully supported by books and records

- Awardees should be able to demonstrate that the financial management system is capable of maintaining detailed supporting records for all grant expense items

285. Review amounts reported on FCTR for fiscal year for cash-on-hand, days of cash-on-hand, interest income, and project income

If cash-on-hand was positive, determine whether the amount was reasonable; if it was not reasonable, request explanation of circumstances leading to excess cash

Determine whether days of cash-on-hand represents the actual days the funds were held prior to expenditure

Determine total interest income reported during the year; if amount was more than $250, validate that the excess was returned to the Department of Health and Human Services

Determine if project income was reported on the FCTR
- Trace amounts to validate that any project income was accounted and expended for project purposes.

Funds Request Review

The reviewer should attempt to determine if the awardee's cash management processes are sufficient. In order to verify the accuracy of "cash on hand" reporting the reviewer should:

286. Select sample of payment requests submitted through FastLane, Treasury Automated Standard Applications of Payments, or by SF 270

Trace amounts to books and records (project cost ledger or summary) to determine if requested amount was reasonable

287. Determine if awardee uses advance or reimbursement funds request process

Validate whether cash requests were properly annotated per the awardee's established method

Validate that funds are maintained in an interest-bearing bank account

Validate that the books and records account for cash related to grant funds.

FastLane Financial Functions Access Control

To assist in verifying the existence of properly segregated responsibilities for access and permissions to the FastLane Financial Functions for preparing the FCTR and Cash Request, the reviewer should:

288. Obtain the institution's FastLane Organization Permissions Report for FastLane Financial Functions (e.g., Financial Administrator, FCTR, Cash Request, and Grantee Electronic Funds Transfer Update)

Determine if Permission Report is up to date

289. Review the institution's procedures for administering FastLane Financial Function user permissions.

290. Determine whether the institution's permissions provide for reasonable segregation of duties.

Procurement and Acquisition System Review

Introduction

This chapter describes the process for reviewing the organization's procurement system to determine whether it operated effectively and complies with the standards in OMB Circular A-110. (Note: the terms "section" and "chapter" are used inconsistently throughout the guide. Again, see the note under Reference Documents)

Procurement as distinguished from subawards

Procurement relates to the purchase of supplies and other expendable property, equipment, real property, and other services including subcontracts and consultants. 2 OMB Circular A-110 distinguishes between subawards and contracts. OMB Circular A-133 Section 210 further defines subrecipients (subawardees) and vendors (contractors). The procurement standards of A-110 apply to vendor relationships. OMB Circular A-133 Section 210 Subparagraphs (c) and (d) defines goods and services received by vendors as follows:

Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

291. Provides the goods and services within normal business operations

292. Provides similar goods or services to many different purchasers

293. Operates in a competitive environment

294. Provides goods or services that are ancillary to the operation of the federal program

295.

Subrecipient monitoring is covered in Section 11.0 of this Guide. Paragraph 10.5.1 "Desk Review Documentation Request" includes a "list of subawards" among the documents to be requested from the awardee. In relation to the procurement review portion of the TBSR, the list of subawards and any subawards reviewed at the awardee's facility will serve only to determine whether the awardee is properly distinguishing between procurement (vendor) and subrecipient relationships. The list of subawards, however, may be used in performing the subrecipient monitoring portion of the TBSR.

10.2 Reference Documents

296. OMB Circular A-110, Section 2, "Definition" and Sections 40 through 48, "Procurement Standards"

297. OMB Circular A-133, Section 210, "Subrecipient and Vendor Determinations"

298.

299. OMB Circular A-133, Subpart D, "Federal Agencies and Pass-Through Entities" Project Grant Conditions (GC-1)

300. 45 CFR 620 Governmentwide Debarment and Suspension (Nonprocurement) and Governmentwide Requirement for Drug-Free Workplace

10.2 Objective of Review

This section provides guidance for the review and assessment of all activities related to the procurement with federal funds of supplies and other expendable property, equipment, and other services. The focus is on whether the organization has a purchasing system that ensures such goods and services are obtained in an effective manner in compliance with the Procurement Standards in OMB Circular A-110.

10.3 Areas of Concern

Indicated below are problem areas relative to the review of procurement systems. The existence of any of these items suggests that a problem may exist and that further investigation is warranted.

These problem areas may include the following:

301. No clear distinction between a procurement award and a subaward

302. Lack of written policies and procedures

303. Inadequate separation of duties between the purchasers and approvers

304. Inadequate documentation in procurement files, including inadequate support for reasonableness of price or sole source award.

10.5 Subject Area Information

10.5.1 Desk Review Documentation Request

To assist in determining if the awardee has an effective procurement and acquisition business system in place, the reviewer will obtain the documentation listed below from the awardee.

The reviewer should recognize that the documents requested and the general conduct of the procurement system review should be tailored to accommodate the variety of awardee organizational types operating NSF facilities. If the NSF facility being reviewed is managed as an organizational sub-element of an educational institution or nonprofit organization that receives funding under grants, agreements or contracts, the awardee's procurement system may be reviewed by the cognizant agency under OMB Circular
A-133 or the cognizant Administrative Contracting Officer. The Office Naval Research conducts Contractor Procurement System Reviews (CPSR) at educational institutions and non-profit organizations (subject to OMB Circular A-122 Cost Principles) that meet the threshold requirements in the Federal Acquisition Regulations (FAR) Subpart 44.3. The Defense Contract Management Agency (DCMA) conducts CPSRs at non-profit organizations that operate under the Commercial Cost Principles in FAR Subpart 31.2.
The reviewer should obtain information from the cognizant agency on any procurement related reviews that have been conducted. Upon request, the ONR or DCMA ACO will provide CPSR reports, the status of the awardee's corrective action on CPSR findings and the scope of ACO surveillance of the awardee's procurement system. This information may dramatically alter the scope of the procurement section of the TBSR. Every effort should be made build on the information in CRSRs and other reviews to avoid duplication and undue burden on the awardee.

305. Electronic access or copies of all policies and procedures, handbooks, manuals, and forms (including checklists, source justification and cost/price analysis forms) employed by the organization to manage procurement activities

306. Organization chart(s), showing the awardee's management structure, down to at least the procurement department-head level

307. The procurement organization chart(s) down to the first level of supervision. Either the chart itself or an accompanying table should show the number and job classification (or assignment) of personnel reporting to each first level and higher tier supervisor

308. Organizational issuances that describe or document delegations from project 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

309. List of subawards, subcontracts, purchase orders, and consultant agreements awarded for the most recently completed accounting year; a sample of files for review will be requested in advance of the review. This section of the TBSR pertains to procurement only. Subawards are not, as defined by OMB Circular A-110, Subpart A, Section 2, If the procurement system being reviewed services the NSF facility as well as other organizational elements of the parent organization, the list of awards, subcontracts, etc. may be limited to those supporting the NSF facility unless the review team determines that the volume of facility related procurements are insufficient to properly represent compliance with the procurement standards in OMB Circular A-110.

310. Copies or written description of any periodic procurement reports provided to the awardee's management

311. Copies of any reports and audits, internal and external, related to the awardee's procurement system during the past two years.

10.5.2 Subject Area Management

A major focus of evaluating the acquisition function's management characteristics is verifying that appropriate checks and balances are in place to mitigate potential fraud or mismanagement of the organization's resources. Some suggested specific issues/questions to review are as follows:

312. Does the awardee have written standards of conduct requiring that personnel engaged in the award and administration of procurement activities do not solicit or accept gratuities, favors, employment, or anything of monetary value from vendors or prospective vendors?

313. Does the awardee's written standards of conduct adequately address conflict of interest for personnel involved in the selection, award, or administration of contracts supported by Federal contracts?

314. Do the procedures outline a clear assignment of authority for issuing purchase orders and contracts for good and services?

315. Do the procedures provide for segregation of duties between employees responsible for procurement, accounts payable, disbursing, and receiving?

316. Do the procedures contain internal controls to ensure that delegations are not exceeded or used without authorization?
Are requiring offices advised of the lead times necessary to initiate and complete the contractual obligation of funds?
Are clear lines of authority and responsibility delineated?

317. Is it clear what each position does and the need for the position?

318. Do the procedures outline a clear assignment of authority for issuing purchase orders and contracts for goods and services?

319. Do the procedures provide for segregation of duties between employees responsible for procurement, accounts payable, disbursing, and receiving?

320.

321. Are requiring offices advised of the lead times necessary to initiate and complete the contractual obligation of funds?

322. Are goals and metrics in place and routinely used to assess performance? What information is generated? What information is used?
Does management regularly conduct an analysis of the procurement and acquisition function and monitor performance?
Does management regularly conduct procedural reviews and monitor adherence to established organizational policies and procedures?

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

324. 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?

325. Is staffing adequate to support the mission (how often does the organization supplement staff with overtime or the addition of temporary employees)?

326. Does the awardee have documented processes for the receipt and acceptance of new acquisitions? How are invoices handled? Are payments made only on original invoices? Are they stamped to avoid duplicate payment?

327. Is there a petty cash fund? What are the procedures for using it? Who is authorized to access it? How is it managed and accounted?

328. Are policies and procedures established to handle leases and rents?

329. Are policies and procedures established to handle termination liabilities?

330. Is not subject to compliance requirements of the federal program.

Procurement Compliance

The following suggested issues/questions should be reviewed:

331. 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 or project involved. Cost-plus-a-percentage-of-cost and percentage of construction cost methods of contracting are not to be used.

332. Contracts must be entered into 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?

333. In most instances, awardees are prohibited from knowingly doing business under a covered procurement transaction with a person who is debarred or suspended; proposed for debarment; or ineligible for or voluntarily excluded from the covered transaction in accordance with 45CFR 620, NSF's implementation of Governmentwide Debarment and Suspension Nonprocurement policies. See the Debarment and Suspension provision in the prime award for awardee responsibilities and

flow down requirements. Verify that the awardee is obtaining the required debarment certifications.

334. Some form of cost or price analysis should 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.

335. 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?

336. Determine whether small purchase files are periodically reviewed to ensure:
Related items are consolidated when practical and advantageous
Requirements are not split or manipulated to avoid thresholds
Non-priced orders contain appropriate monetary limitations
Recurring orders are evaluated at least annually to determine the appropriateness of establishing, updating, or canceling blanket purchase agreements.

337. For each file in the sample selected, perform the following:
Verify that the significant history of the procurement is documented and includes the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.
Verify that procurements provide full and open competition or justify other than full and open competition.
Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.
Verify that contract files exist. Ascertain whether appropriate cost or price analysis was performed in connection with procurement actions including contract modifications and that it supported the procurement action.
Verify that NSF approved procurements exceeding $100,000 or $250,000 for FFRDC (when stated in Cooperative Agreement) when such approval was required. Approval may be required for procurements awarded by noncompetitive negotiation, awarded when only a single bid or offer was received, awarded to other than the apparent low bidder, or specifying a "brand name" product.
Verify compliance with other procurement requirements specific to the award.
Verify that contracts contain the following provisions found in 2CFR. 215 and elsewhere as applicable:

PROVISION	APPLICABILITY
Equal Employment Opportunity	All
Copeland Anti-Kickback Act	All contracts and subgrants in excess of $2,000 for construction or repair.
Davis-Bacon Act, as amended.	When required by federal program legislation, all construction contracts of more than $2,000.
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 will 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 will file the required certification.

Debarment and Suspension	Contractors with awards that exceed the small purchase threshold will provide the required certification regarding its exclusion status and that of its principal employees.

338. Verify that in addition to provisions to define a sound and complete agreement, terms and conditions substantially identical to the language below are included in all contracts.

Contracts in excess of the small purchase threshold will 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 will 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 must 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 must 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 will be as follows:

- A bid guarantee from each bidder equivalent to 5 percent of the bid price. The bid guarantee will consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, 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.

339. All negotiated contracts over the small purchase threshold:

Include a provision to the effect that the recipient, NSF, the Comptroller General of the United States, or any of their duly authorized representatives, will 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.

Open Competition

340. The organization's policies and procedures should require, to the maximum extent practical, full and open competition. Verify the following:

Justifications for other than full and open competition are approved in writing at the appropriate level

The organization is alert to conflicts of interest

The organization is alert to noncompetitive practices among vendors

Vendors who develop or draft specifications, requirements, statements of work (SOW), invitations to bid, and/or requests for proposals (RFP) are excluded from competing unless documentation provided to support inclusion is in the best interest of the program or project

Awards are made to the bidder or offeror who is responsive to the solicitation and is most advantageous in terms of price, quality, and other considered factors

Solicitations clearly set forth all requirements that the bidder or offeror must fulfill in order for the bid or offer to be evaluated

Organizations avoid purchasing unnecessary items

Where appropriate, an analysis is made of lease versus 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 descriptions of the technical requirements for the material, product, or service to be procured; in competitive procurements, that such descriptions do 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, protect the environment, and are energy efficient.

341. Procurement records and files for purchases in excess of the small purchase threshold should include at a minimum:

Basis for contractor selection

Justification for lack of competition when competitive bids or offers are not obtained

Basis for award cost or price.

Small, Minority-Owned, and Women Businesses

342. The organization's written policies and procedures should demonstrate that positive efforts are made to use small business, minority-owned firms, and women's business enterprises and that steps are taken to further this goal, for example:

Using such firms to the fullest extent practicable

Making information on forthcoming opportunities available and arranging time frames for purchases and contracts to encourage and facilitate participation (e.g., attending trade fairs, conferences, and SBA training)

Considering whether firms competing for larger contracts intend to subcontract

Encouraging contracting with consortiums of small businesses, minority-owned firms, and women's business enterprise

Using the services and assistance, as appropriate, of organizations such as SBA and the Department of Commerce's Minority Business Development Agency.

Introduction

This chapter reviews the organization's procurement and acquisition system, verifying that there is appropriate separation of duties, and assessing the efficiency of the system.

Reference Documents

343. 2 CFR 215, Section 2, "Definitions"

344. 2 CFR 215, Sections 40 through 48, "Procurement Standards"

345. 41 CFR 101–39 (Use of GSA Schedule)

346. 45 CFR Ch 6 § 602.3, "Definitions"

347. 45 CFR Ch 6 § 602.36, "Procurement"

348. OMB Circular A-133, Section 210, "Subrecipient and Vendor Determinations"

349. 2 CFR 215, Section 2, "Definitions"

350. OMB Circular A-133, Subpart D, "Federal Agencies and Pass-Through Entities" Project Grant Conditions (GC-1)

Objective of Review

This section provides guidance for the review and assessment of all activities related to the procurement with federal funds of supplies and other expendable property, equipment, and other services. The focus is on whether the organization has a purchasing system that includes prescribed 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.

Areas of Concern

Indicated below are problem areas relative to the review of procurement systems. The existence of any of these items suggests that a problem may exist and that further investigation is warranted.

These problem areas may include the following:

351. No clear distinction between a procurement award and a subaward

352. Lack of written policies and procedures

353. Inadequate separation of duties between the purchasers and approvers

354. Inadequate documentation in procurement files, including inadequate support for reasonableness of price or sole source award.

Subject Area Information

Desk Review Documentation Request

To assist in determining if the awardee has an effective procurement and acquisition business system in place, it is suggested that the reviewer obtain the following documentation from the awardee:

355. Electronic access or copies of all policies and procedures, handbooks, manuals, etc. employed by the organization to manage procurement and acquisition activities

356. Organizational issuances that describe or document delegations from project management to procurement and acquisitions management to procurement and acquisition staff, the dollar threshold for each delegation, and the internal controls in place to ensure the delegations are not exceeded or used without authority

357. List of subawards, subcontracts, and purchase orders awarded for the most recently completed accounting year; a sample of files for review will be requested in advance of the review.

Subject Area Management

A major focus of evaluating the acquisition function's management characteristics is verifying that appropriate checks and balances are in place to mitigate potential fraud or mismanagement of the organization's resources. Some suggested specific issues/questions to review are as follows:

358. Does the awardee have written standards of conduct requiring that personnel engaged in the award and administration of procurement activities do not solicit or accept gratuities, favors, employment, or anything of monetary value from vendors or prospective vendors?

359. Does the awardee have written standards of conduct requiring that personnel engaged in the award and administration of procurement activities do not solicit or accept gratuities, favors, employment, or anything of monetary value from vendors or prospective vendors?

360. Do the procedures outline a clear assignment of authority for issuing purchase orders and contracts for good and services?

361. Do the procedures provide for segregation of duties between employees responsible for procurement, accounts payable, disbursing, and receiving?

362. Do the procedures contain internal controls to ensure that delegations are not exceeded or used without authorization?

    Are requiring offices advised of the lead times necessary to initiate and complete the contractual obligation of funds?

    Are clear lines of authority and responsibility delineated?

363. Is it clear what each position does and the need for the position?

364. Do the procedures outline a clear assignment of authority for issuing purchase orders and contracts for goods and services?

365. Do the procedures provide for segregation of duties between employees responsible for procurement, accounts payable, disbursing, and receiving?

366. Do the procedures contain internal controls to ensure that delegations are not exceeded or used without authorization?

367. Are requiring offices advised of the lead times necessary to initiate and complete the contractual obligation of funds?

368. Are goals and metrics in place and routinely used to assess performance? What information is generated? What information is used?

    Does management regularly conduct an analysis of the procurement and acquisition function and monitor performance?

    Does management regularly conduct procedural reviews and monitor adherence to established organizational policies and procedures?

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

370. 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?

371. Is staffing adequate to support the mission (how often does the organization supplement staff with overtime or the addition of temporary employees)?

372. Does the awardee have documented processes for the receipt and acceptance of new acquisitions? How are invoices handled? Are payments made only on original invoices? Are they stamped to avoid duplicate payment?

373. Is there a petty cash fund? What are the procedures for using it? Who is authorized to access it? How is it managed and accounted?

374. Are policies and procedures established to handle leases and rents?

375. Are policies and procedures established to handle termination liabilities?

Procurement and Acquisition Policy and Procedures

Procurement relates to the purchase of supplies and other expendable property, equipment, real property, and other services including subcontracts and consultants. 2 CFR 215 distinguishes between subawards and contracts. OMB Circular A-133 Section 210 further defines subrecipients (subawardees) and vendors (contractors). The procurement standards of A-110 apply to vendor relationships. OMB Circular A-133 Section 210 Subparagraphs (c) and (d) defines goods and services received by vendors as follows:

Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

376. Provides the goods and services within normal business operations

377. Provides similar goods or services to many different purchasers

378. Operates in a competitive environment

379. Provides goods or services that are ancillary to the operation of the federal program

380. Is not subject to compliance requirements of the federal program.

Procurement and Acquisition Compliance

The following suggested issues/questions should be reviewed:

381. 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 or project involved. Cost-plus-a-percentage-of-cost and percentage of construction cost methods of contracting are not to be used.

382. Contracts must be entered into 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?

383. Some form of cost or price analysis should 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.

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?

384. Interview procurement personnel and determine whether small purchase files are periodically reviewed to ensure:

Related items are consolidated when practical and advantageous

Requirements are not split or manipulated to avoid thresholds

Non-priced orders contain appropriate monetary limitations

Recurring orders are evaluated at least annually to determine the appropriateness of establishing, updating, or canceling blanket purchase agreements.

385. Select a sample of files to review from the list of subawards, subcontracts, and purchase orders awarded for the most recently completed accounting year. The number of files that can be reviewed will vary depending upon the amount of time planned for the Onsite 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.

386. For each file in the sample, perform the following:

Verify that the significant history of the procurement is documented and includes the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price.

Verify that procurements provide full and open competition or justify other than full and open competition.

Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified.

Verify that contract files exist. Ascertain whether appropriate cost or price analysis was performed in connection with procurement actions including contract modifications and that it supported the procurement action.

Verify that NSF approved procurements exceeding $100,000 or $250,000 for FFRDC (when stated in Cooperative Agreement) when such approval was required. Approval may be required for procurements awarded by noncompetitive negotiation, awarded when only a single bid or offer was received, awarded to other than the apparent low bidder, or specifying a "brand name" product.

Verify compliance with other procurement requirements specific to the award.

Verify that contracts contain the following provisions found in 2CFR. 215 and elsewhere as applicable:

PROVISION	APPLICABILITY
Equal Employment Opportunity	All
Copeland Anti-Kickback Act	All contracts and subgrants in excess of $2,000 for construction or repair.
Davis-Bacon Act, as amended.	When required by federal program legislation, all construction contracts of more than $2,000.
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 will 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 will file the required certification.
Debarment and Suspension	Contractors with awards that exceed the small purchase threshold will provide the required certification regarding its exclusion status and that of its principal employees.

387. Verify that in addition to provisions to define a sound and complete agreement, terms and conditions substantially identical to the language below are included in all contracts.

Contracts in excess of the small purchase threshold will 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 will 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 must 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 must 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 will be as follows:

- A bid guarantee from each bidder equivalent to 5 percent of the bid price. The bid guarantee will consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, 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.

388. All negotiated contracts over the small purchase threshold:

Include a provision to the effect that the recipient, NSF, the Comptroller General of the United States, or any of their duly authorized representatives, will 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.

Open Competition

389. The organization's policies and procedures should require, to the maximum extent practical, full and open competition. Verify the following:

Justifications for other than full and open competition are approved in writing at the appropriate level

The organization is alert to conflicts of interest

The organization is alert to noncompetitive practices among vendors

Vendors who develop or draft specifications, requirements, statements of work (SOW), invitations to bid, and/or requests for proposals (RFP) are excluded from competing unless documentation provided to support inclusion is in the best interest of the program or project

Awards are made to the bidder or offeror who is responsive to the solicitation and is most advantageous in terms of price, quality, and other considered factors

Solicitations clearly set forth all requirements that the bidder or offeror must fulfill in order for the bid or offer to be evaluated

Organizations avoid purchasing unnecessary items

Where appropriate, an analysis is made of lease versus 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 descriptions of the technical requirements for the material, product, or service to be procured; in competitive procurements, that such descriptions do 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, protect the environment, and are energy efficient.

390. Procurement records and files for purchases in excess of the small purchase threshold should include at a minimum:

Basis for contractor selection

Justification for lack of competition when competitive bids or offers are not obtained

Basis for award cost or price.

Small, Minority-Owned, and Women Businesses

391. The organization's written policies and procedures should demonstrate that positive efforts are made to use small business, minority-owned firms, and women's business enterprises and that steps are taken to further this goal, for example:

Using such firms to the fullest extent practicable

Making information on forthcoming opportunities available and arranging time frames for purchases and contracts to encourage and facilitate participation (e.g., attending trade fairs, conferences, and SBA training)

Considering whether firms competing for larger contracts intend to subcontract

Encouraging contracting with consortiums of small businesses, minority-owned firms, and women's business enterprise

Using the services and assistance, as appropriate, of organizations such as SBA and the Department of Commerce's Minority Business Development Agency.

Subrecipient Monitoring *[This should not be considered a core functional area. It is not a function of an institution at all, but a activity that takes place as a result of the organization issuing a subaward to a subrecipient. Further, it may not even be that big of an issue on major facility awards, unless the facilities are granting subawards to participating institutions.]*

Introduction *[This is a very inaccurate introduction. Please refer to the NCURA document "Sponsored Research Administration: A Guide to Effective Strategies and Recommended Practices", Chapter 19, Managing Subawards.]*

The focus of this chapter is the review of awards where the awardee institution or the NSF major facility award being reviewed contains subawards(s) with other organization(s) to perform a substantial portion of the work or research under the NSF award.

Prime awardee organizations are required to have in place a system to monitor subawards issued by that prime on federally sponsored projects. If the organization being reviewed has subawards (and is not just purchasing items from vendors to use on the project or contracting for services from a subcontractor), then it is responsible for monitoring the activities of those subrecipients.

Reference Documents

OMB Circular A-133, Section 210, "Subrecipient and Vendor Determinations"

OMB Circular A-110, Section 2, "Definitions"

45 CFR Ch 6 § 602.3, "Definitions"

OMB Circular A-133, Subpart D, "Federal Agencies and Pass-Through Entities"

Objective of Review

Prime awardees are responsible for certain pre-award and post-award monitoring of their subrecipients. Exactly what steps are taken and how closely awards are monitored depends on the type of subaward *[Unclear, there are no different types of subawards.]* the subawardee institution, dollar value, or complexity of the subaward and other factors. In addition, the prime awardee may have a plan to target review based on risk.

Areas of Concern

The following is a list of problem areas relative to subawards and subrecipient monitoring. The existence of any of these items on a particular project suggests that a problem may exist and that further investigation is warranted.

These problem areas include the following:

Inappropriate distinction between a procurement award and a subaward

Inadequate pre-award documentation as detailed below

Subaward agreement missing some or all required flow-down provisions *[There is a national model subaward agreement form that covers all of this. One easy check that could be done in the pre-site-visit period is to see if the organization uses the OMB approved model agreement.]*

Judgmental nature of adequate monitoring. (See A-133 Compliance Supplement on Subrecipient Monitoring).

Subject Area Information

Desk Review Documentation Request

The reviewer should request copies of the organization's written policies and procedures to determine if the organization has established a baseline for appropriate oversight of subrecipients. At a minimum, the reviewer should seek answers to the following:

Does the organization employ schedules of value employed on contracts to avoid "cost of funds" charges that may be unnecessary? Is there a process for holdback on construction awards while a punch list is closed out *[These are NOT subrecipients and do not belong in this section at all. Contracts are NOT subawards. Construction awards are NOT subawards.]*

How do NSF earned value management requirements flow down to subawardees and subcontractors for major procurements *[This is totally UNRELATED to subrecipient monitoring. In fact EVM has specifically to do with product-oriented contracts, and therefore is by definition NOT a subrecipient matter. Further, this sentence goes on to talk about major procurements!]*

What is the organization's policy regarding the performance of pre-award business analysis *[It would be HIGHLY unusual for a company to be a subrecipient. Subawards are considered federal assistance – companies are not normally eligible for federal assistance. This reflects a total misunderstanding of subawards and subrecipient monitoring.]* of major subaward recipients (e.g., Dunn and Bradstreet)?

Subject Area Management

The reviewer should assess if the organization has an effective structure in place to sufficiently carry out the functions related to subrecipient monitoring. This review should include areas such as:

Are lines of authority and responsibility delineated?

Do individuals involved with subrecipient monitoring have enough authority to accomplish their duties?

Does the department responsible for subrecipient monitoring have enough personnel to perform the work required?

Is it clear what each position does and the need for the position?

Are there any situations in the management structure which could lead to conflicts of interest?

Core Functional Area Review Modules (Part II)

The Guide identified eight Core Functional Area Modules that provide guidance to review teams and information to the awardees subject to TBSR about the specific areas that will be reviewed and the intended scope of the reviews. In this section, the subcommittee comments on the content of these core functional area sections of the Guide.

General Management System Review

This chapter addresses the activities related to the overall business management of the award by the awardee institution. While evaluating management practices is also included in the other Core Functional

Areas, this component of the TBSR focuses on the effectiveness of the organization in executing business processes, strategic planning, performance measurement, regulatory compliance, ethics, management oversight and other business management issues. Effective general management policies and procedures provide for well-defined and documented internal controls that ensure that the delegation of authority and responsibility also provide for appropriate segregation of duties and responsibilities. Internal controls include all methods, measures and procedures incorporated by an awardee to safeguard federal resources and awardee resources. The internal control system is intended to assure proper signature and approval authority levels that guard against improper use of resources and enforce adherence to established management policies and procedures.

Reference Documents

- **OMB Circular A-110,** "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations"
- **OMB Circular A-102**, "Grants and Cooperative Agreements with State and Local Governments"
- **OMB Circular A-133,** "Audits of States, Local Governments and Non-Profit Organizations"
- **GPM, Section V**, "Grantee Standards"
- **Executive Order 12674**, "Principles of Ethical Conduct for Government Officers and Employees"

Objective of Review

This element of the TBSR is intended to evaluate the general business management practices of the awardee. Specifically, the role of the reviewer is to determine whether the awardee has in place and utilizes:

- An organizational structure that provides for the effective and efficient performance of the business systems employed at the site that is the subject of the TBSR. These systems ensure compliance with regulations and requirements established by the NSF.

- A system of internal controls that effectively document methods used by the awardee to protect assets, prevent improper charging, ensure the accuracy and reliability of all financial and operating information, and ensure adherence to established policies and procedures.

- A process for strategic planning as appropriate to the facility under review.

- A method for evaluating overall business performance and a detailed and effective approach to addressing performance shortfalls.

- Policies and procedures that ensure compliance with NSF requirements, including flow-down federal laws.

- Policies and procedures that encourage ethical behavior.

- Adequate business oversight by management at all levels.

Information for Review

To assist in determining the effectiveness of the awardee's business management systems, the TBSR team should request copies of the following:

- An organizational chart reflecting the relationship between the awardee and the facility under review.

- Position descriptions of senior level personnel in the functional areas under review.

- Reports issued over the prior three years from the awardee's internal auditor, and any management response to recommendations.

- A-133 audits for the prior three years, and any response to recommendations.

- Any NSF Inspector General reviews or audits, and any response to recommendations or findings.

- All performance measures used by the awardee for the TBSR site, and any pertinent reports on accomplishment of measures.

- Description of any Board of Directors or Trustees or Advisory Boards or Committees that have fiducial or oversight responsibility over general business functions.

- Policies and procedures related to the awardee's ethics program, including standards of conduct and conflict of interest.

Areas for Review

Internal Controls
First, a caution. Don't repeat the review done by other function reviewers. Coordinate beforehand to ensure that there isn't a duplication of effort. Most of the internal control review should be done by the detailed function reviewers.

- Are the lines of authority clear?

- Is there an internal audit function and what is the reporting structure?

- Is there sufficient and effective separation of authority?

Performance Measures

- Is there a system in place that provides clear performance measures, communicates these to staff, and evaluates performance against the measures?

- Are the performance measures meaningful, i.e. are they based on processes that affect overall performance?

- Are there procedures in place that identify performance shortfalls and provide a method for resolving them?

- Are responsibilities for accomplishment of performance measures clearly defined?

Regulatory Issues

- Does the awardee have policies and procedures in place to ensure compliance with regulatory issues?

- Are there any unresolved regulatory issues? For example, are there any IRS liens, local taxing authority issues, ITAR or safety, health or environmental citations? If so, has the awardee provided an adequate response?

Ethics Issues

- Does the awardee have a written policies related to ethics? These would include policies that deal with general ethics, conflict of interest, scientific misconduct and human subjects research.

- How are the policies communicated to employees?

- Is there a method for employees to communicate ethics concerns to senior management? Can they do this anonymously?

Miscellaneous Issues

- Does the awardee have adequate controls in place to ensure NSF approval of press releases related to the facility?

- Does the awardee have a process in place to inform NSF of media coverage?

- Are there processes in place for the awardee to communicate to NSF any issues or problems?

Subrecipient Monitoring Requirements

The prime awardee (organization being reviewed) is responsible for determining that the amount to be paid the subawardee organization is reasonable for the work to be performed. Reviewers should note that some form of Cost or Price Analysis should be performed by the prime awardee to document that the amount subcontracted for is reasonable in relation to the work to be performed. *[Cost and Price Analysis is required for contracts, not for subawards. All that is needed for subawards is a review of the proposed budget.]* The depth of the analysis should be related to the dollar amount of the subaward. Cost analysis is the review of the different items of cost being proposed in the subawardees' budget. If cost analysis is used the prime should review the subawardees indirect cost rate agreement or may need to develop an indirect cost rate for that subawardee *[Highly doubtful in the context of an NSF subaward.]* Price analysis is the comparison of different offers from different subawardee organizations where multiple offerors provide adequate competition *[This is all contract language. OMB is very specific that the Procurement section of A-110 does not apply to subawards, because subawards are federal assistance, NOT procurement. This whole paragraph is inaccurate and reflects a lack of understanding of the regulations governing subawards and subrecipients.]*

Pre-Award Review

The prime awardee should perform certain procedures before making a substantial subaward to a subrecipient. This requires that the prime awardee ensures the following with regard to the subawardee:

Is able to perform (both technically and administratively)?

Has an adequate accounting system (a project cost accounting system)?

Has the financial capability to perform?

Has an appropriate indirect cost rate and application base?

Has not been debarred or suspended from receiving federal grants or contracts?

Making the Subaward *[This and the following sections are not written as a TBSR review guide, but as instructions to an institution or a description of requirements. They all need to be converted to instructions to the reviewers on how to confirm compliance. Once again, there is instruction going on in this section that should be deleted or relocated to an appendix.]*

Certain compliance requirements on federal awards also apply to subawardees under those awards. These are called "flow through" provisions. Prime awardees are responsible for including these provisions in subawards using federal funds. The OMB and the ONR (the federal cognizant agency for subawards) have approved the use of the model subaward agreement form (developed by the Federal Demonstration Partnership under the National Academies) for issuing all subawards issued by A-110 organizations to other A-110 organizations.

Provisions that should be in subawards beyond statement of work, payment, and deliverables include the following:

Audit and access to records

Prime awardees right to perform both technical and administrative site visits

Cost Principles (OMB Circulars A-21, A-87, A-122, or FAR Part 31) and Administrative Requirements

Non-performance and termination or other legal remedies

Statutory or regulatory—such as conflict of interest, non-discrimination, drug-free workplace, animal rights, human subjects, and a number of grant terms and conditions. (See GC-1 Article 8– Significant Project Changes for a list of GC-1 Articles that must be included in subaward instruments).

Prime awardees should also consider if there is a need to include any special award conditions such as the following:

Advance or periodic payments

Payment attached to milestones

Reimbursement after performance

Progress or technical reporting requirements

Financial or business reporting requirements

Other special award conditions.

Post-Award Monitoring

Prime awardees are responsible for certain post-award monitoring of their subrecipients. Exactly what steps are taken and how closely awards are monitored depends on the type of subaward, the subawardee institution, dollar value, or complexity of the subaward and other factors. In addition, the prime awardee may have a plan to target review based on risk. Monitoring of the subawardee organizations should include the following activities:

- Perform some form of risk analysis and classification of subawardee entities or by subaward
- Evaluate and document performance through progress and/or other technical reports
- Receive OMB Circular A-133 reports (if more than $500,000/year in federal funds)
- Resolve audit report findings and questioned costs if the prime awardee is responsible
- Perform additional audit work or financial reviews as appropriate
- Notify the Federal Government of significant developments
- Review and approve indirect cost rates in certain circumstances, as necessary
- Make payment provisions and liquidate advances
- Document satisfactory progress both technically and administratively
- Close out the award.

[These are things that the prime recipient is supposed to be doing; they are not instructions to the review team. It is very confusing.] In order to determine the adequacy of the organization's post award monitoring policies and procedures, the review should solicit the following information *[This sentence and the following points may be about all that needs to be said about reviewing for subrecipient monitoring.]*

Does the prime awardee have a plan in place for monitoring subawardees?

Does this plan include a risk assessment to target certain subawardee organizations for more detailed review?

Is implementation of the subawardee monitoring plan documented?

Does the prime awardee just pay invoices as they are submitted or is there a technical or business review of the invoices prior to payment?

Does the prime awardee perform technical or business site visits to monitor progress? Are copies of such site visit reports available?

Has the prime awardee ensured that the required A-133 reports are received and findings in those reports pertaining to the subaward are followed up on?

Does the prime ever require supporting documentation prior to approving an invoice?

Has the prime performed audits or financial reviews on subawardee organizations?

Are required reports (monthly status, annual progress, or final technical) being received in a timely manner?

What are the prime's closeout procedures when the subaward is completed?

Are there any other subawardee monitoring activities undertaken by the prime awardee (e.g., PI site visit to subawardee site to meet with and discuss progress)?

Does documentation exist (in a selected subaward file) that shows the prime awardee is doing an adequate job of monitoring?

Subrecipient Monitoring

Introduction

The focus of this chapter is the review of awards where the awardee institution or the NSF award being reviewed contains subcontract(s) with other organization(s) to perform a substantial portion of the work or research under the NSF award. Please note that a differentiation should be made between subrecipient and a vendor (see OMB Circular A-133 Section 210 for guidance on determining if a subawardee is a vendor or a subrecipient). A vendor provides goods or services in a competitive environment as its normal course of business (example–selling computers). A subrecipient has programmatic decision-making responsibilities for performance in carrying out a portion of the research or project (example–subawardee conducts testing and evaluation of chemical compounds or materials).

Subrecipient monitoring requirements do not apply to vendors. Prime awardee organizations, however, are required to have in place a system to monitor the subawards issued by that prime on federally sponsored projects. If the organization being reviewed has subawards (and is not just purchasing items from vendors to use on the project), then it is responsible for monitoring the activities of those subrecipients.

Reference Documents

392.OMB Circular A-133, Section 210, "Subrecipient and Vendor Determinations"

393.OMB Circular A-110, Section 2, "Definitions"

394.45 CFR Ch 6 § 602.3, "Definitions"

395.OMB Circular A-133, Subpart D, "Federal Agencies and Pass-Through Entities"

Objective of Review

Prime awardees are responsible for certain pre-award and post-award monitoring of their subrecipients. Exactly what steps are taken and how closely awards are monitored depends on the type of subaward, the subawardee institution, dollar value, or complexity of the subaward and other factors. In addition, the prime awardee may have a plan to target review based on risk.

Areas of Concern

The following is a list of problem areas relative to subawards and subrecipient monitoring. The existence of any of these items on a particular project suggests that a problem may exist and that further investigation is warranted.

These problem areas include the following:

396.Inappropriate distinction between a procurement award and a subaward

397.Inadequate pre-award documentation as detailed below

398.Subaward agreement missing some or all required flow-down provisions

399.Judgmental nature of adequate monitoring. (See A-133 Compliance Supplement on Subrecipient Monitoring).

Subject Area Information

Desk Review Documentation Request

The reviewer should request copies of the organization's written policies and procedures to determine if the organization has established a baseline for appropriate oversight of subrecipients. At a minimum, the reviewer should seek answers to the following:

400. Does the organization employ schedules of value employed on contracts to avoid "cost of funds" charges that may be unnecessary? Is there a process for holdback on construction awards while a punch list is closed out?

401. How do NSF earned value management requirements flow down to subawardees and subcontractors for major procurements?

402. What is the organization's policy regarding the performance of pre-award business analysis of major subaward recipients (e.g., Dunn and Bradstreet)?

Subject Area Management

The reviewer should assess if the organization has an effective structure in place to sufficiently carry out the functions related to subrecipient monitoring. This review should include areas such as:

403. Are lines of authority and responsibility delineated?

404. Do individuals involved with subrecipient monitoring have enough authority to accomplish their duties?

405. Does the department responsible for subrecipient monitoring have enough personnel to perform the work required?

406. Is it clear what each position does and the need for the position?

407. Are there any situations in the management structure which could lead to conflicts of interest?

Subrecipient Monitoring Requirements

The prime awardee (organization being reviewed) is responsible for determining that the amount to be paid the subawardee organization is reasonable for the work to be performed. Reviewers should note that some form of Cost or Price Analysis should be performed by the prime awardee to document that the amount subcontracted for is reasonable in relation to the work to be performed. The depth of the analysis should be related to the dollar amount of the subaward. Cost analysis is the review of the different items of cost being proposed in the subawardees' budget. If cost analysis is used the prime should review the subawardees indirect cost rate agreement or may need to develop an indirect cost rate for that subawardee. Price analysis is the comparison of different offers from different subawardee organizations where multiple offerors provide adequate competition.

Pre-Award Review

The prime awardee should perform certain procedures before making a substantial subaward to a subrecipient. This requires that the prime awardee ensures the following with regard to the subawardee:

408. Is able to perform (both technically and administratively)?

409. Has an adequate accounting system (a project cost accounting system)?

410. Has the financial capability to perform?

411. Has an appropriate indirect cost rate and application base?

412. Has not been debarred or suspended from receiving federal grants or contracts?

Making the Subaward

Certain compliance requirements on federal awards also apply to subawardees under those awards. These are called "flow through" provisions. Prime awardees are responsible for including these provisions in subawards using federal funds.

Provisions that should be in subawards beyond statement of work, payment, and deliverables include the following:

413. Audit and access to records

414. Prime awardees right to perform both technical and administrative site visits

415. Cost Principles (OMB Circulars A-21, A-87, A-122, or FAR Part 31) and Administrative Requirements

416. Non-performance and termination or other legal remedies

417. Statutory or regulatory—such as conflict of interest, non-discrimination, drug-free workplace, animal rights, human subjects, and a number of grant terms and conditions. (See GC-1 Article 8–Significant Project Changes for a list of GC-1 Articles that must be included in subaward instruments).

Prime awardees should also consider if there is a need to include any special award conditions such as the following:

418. Advance or periodic payments

419. Payment attached to milestones

420. Reimbursement after performance

421. Progress or technical reporting requirements

422. Financial or business reporting requirements

423. Other special award conditions.

Post-Award Monitoring

Prime awardees are responsible for certain post-award monitoring of their subrecipients. Exactly what steps are taken and how closely awards are monitored depends on the type of subaward, the subawardee institution, dollar value, or complexity of the subaward and other factors. In addition, the prime awardee may have a plan to target review based on risk. Monitoring of the subawardee organizations should include the following activities:

- Perform some form of risk analysis and classification of subawardee entities or by subaward

- Evaluate and document performance through progress and/or other technical reports

- Receive OMB Circular A-133 reports (if more than $500,000/year in federal funds)

- Resolve audit report findings and questioned costs if the prime awardee is responsible

- Perform additional audit work or financial reviews as appropriate

- Notify the Federal Government of significant developments

- Review and approve indirect cost rates in certain circumstances, as necessary
- Make payment provisions and liquidate advances
- Document satisfactory progress both technically and administratively
- Close out the award.

In order to determine the adequacy of the organization's post award monitoring policies and procedures, the review should solicit the following information:

424. Does the prime awardee have a plan in place for monitoring subawardees?

425. Does this plan include a risk assessment to target certain subawardee organizations for more detailed review?

426. Is implementation of the subawardee monitoring plan documented?

427. Does the prime awardee just pay invoices as they are submitted or is there a technical or business review of the invoices prior to payment?

428. Does the prime awardee perform technical or business site visits to monitor progress? Are copies of such site visit reports available?

429. Has the prime awardee ensured that the required A-133 reports are received and findings in those reports pertaining to the subaward are followed up on?

430. Does the prime ever require supporting documentation prior to approving an invoice?

431. Has the prime performed audits or financial reviews on subawardee organizations?

432. Are required reports (monthly status, annual progress, or final technical) being received in a timely manner?

433. What are the prime's closeout procedures when the subaward is completed?

434. Are there any other subawardee monitoring activities undertaken by the prime awardee (e.g., PI site visit to subawardee site to meet with and discuss progress)?

435. Does documentation exist (in a selected subaward file) that shows the prime awardee is doing an adequate job of monitoring?

Introduction

Many NSF award budgets provide for the purchasing of equipment to accomplish project objectives. Awardee institutions that purchase equipment with NSF funds are required to maintain adequate property records; maintain an inventory listing of all property; and maintain safeguards against loss, theft, and damage, and these issues are the primary focus of this chapter.

> **Note: In addition to the supplemental checklist worksheet provided in Appendix B – Worksheet 7, the reviewer should also reference Appendix B – Worksheets 7A and 7B for additional review information.**

Reference Documents

Administrative requirements are contained in:

436. OMB Circular A-110, Section 2, "Definitions"

437. OMB Circular A-110, Sections 30 through 37, "Property Standards"

438. 45 CFR Ch 6 § 602.3, "Definitions"

439. 45 CFR Ch 6 § 602.36, "Procurement"

440. Grant Policy Manual Section 540, "Property Management Standards"

Cost Principles are contained in:

441. OMB Circular A-21, Subparagraphs J.14, "Depreciation and Use Allowances" and J.18, "Equipment and Other Capital Expenditures"

442. OMB Circular A-122, Attachment B, Items 11, "Depreciation and Use Allowances" and 15, "Equipment and Other Capital Expenditures"

443. OMB Circular A-87, Attachment B, Items 11, "Depreciation and Use Allowances" and 15, "Equipment and Other Capital Expenditures"

Objective of Review

The objective of this review is to assess whether the claimed equipment purchased with federal funds is being accounted for in accordance with federal rules and regulations and to affirm that equipment purchased using NSF funds is for scientific purposes and not used as general office equipment.

In addition, the property review will be based on the existing NSF Awardees' and Contractors' Property Review Guide (Appendix B – Worksheet 6.1) and will include relevant portions of the NSF awardees and Contractors Property Checklist (Appendix B – Worksheet 6.2) to determine awardee compliance with NSF and federal property requirements.

Areas of Concern

The following is a list of problem areas relative to the charging of property and equipment. The existence of any of these items on a particular project suggests that a problem may exist and further investigation is warranted.

These problem areas include:

444. Inadequate documentation of federally funded equipment

445. Failure to exclude claimed direct equipment from the allocation base

446. Failure to document and demonstrate the allocability of "normally general office equipment" to the NSF award

447. Failure to incorporate either a manual or electronic tracking system for property

448. Failure to have an inventory schedule and procedures

449. Failure to accurately record title information.

Subject Area Information

Desk Review Documentation Request

To assist in determining if the awardee has an effective property and equipment management business system in place, it is suggested that the reviewer obtain the following documentation from the awardee:

450. Electronic access or copies of all policies and procedures, handbooks, manuals, etc. employed by the organization to manage federal property, including information related to acquisition, maintenance and disposition, inventory and recordkeeping, security, and maintenance practices.

451. Physical inventory reports reflecting the last fiscal year closing date

452. Listing of all capitalized assets, which are all items with an acquisition cost of more than $25,000 and a useful life greater than 2 years. At a minimum, the listing should include acquisition document identifier, acquisition date, and cost

453. Lost, damaged, or destroyed (LDD) property reports

454. Listing of non-expendable property

455. Copy of most recent, audited financial statement

Subject Area Management

The reviewer should assess if the organization has an effective structure in place to sufficiently carry out the functions related to the property and equipment management system. This review should include areas such as:

456. Are lines of authority and responsibility delineated?

457. Do individuals involved with property and equipment management have enough authority to accomplish their duties?

458. Does the department responsible for property and equipment management have enough personnel to perform the work required?

459. Is it clear what each position does and the need for the position?

460. Are there any situations in the management structure which could lead to conflicts of interest?

Acquisition and Disposition

Equipment is defined by the U.S. Government as non-expendable property costing more than $5,000 and having a useful life of more than 1 year. Awardee institutions can define the equipment threshold using more restrictive terms in their own internal policies and procedures (e.g., $3,000 and 2 years useful life)

but must be consistent in application. Awardee institutions must adhere to federal regulations that pertain to the acquisition, management, utilization, physical accounting, and disposal of personal property. Only a few NSF awards provide for the acquisition of real property (land) and these cases are mainly limited to facilities and MREFC projects.

For most NSF awardees (colleges and Universities and Non-profits) title to equipment vests with the awardee organization upon completion of the award or after the equipment is no longer needed. For commercial organizations and large research facilities, NSF typically retains title or maintains a reversionary interest in the property (these awardees should notify NSF after expiration of the award to obtain disposition instructions).

Awardees are not to use NSF purchased property to provide services to outside organizations at a fee that is less than private companies charge for equivalent services. Property purchased with NSF funds should be first used on that project, then on other NSF projects, and then on other federally sponsored projects. User charges are to be treated as program income.

The organization should have policies and procedures that are in compliance with NSF and federal regulations and requirements for acquiring and disposing of property. Suggested issues/questions to review include:

461. Do the policies and procedures ensure that only equipment necessary for the research or activity supported by the award is purchased?

462. Do the policies and procedures ensure that only equipment that is not otherwise reasonably available and accessible is purchased?

463. Are proposed purchases reviewed and approved? By whom?

464. Do the policies and procedures require that the equipment be used in the project or program for which it was acquired?

465. Do the policies and procedures require that disposition instructions on federal property in excess of the organization's requirements are requested from the NSF Property Administrator and carried out as directed? Is disposition of property documented?

466. If the award document authorizes the organization to sell equipment, does the organization have sales procedures that provide for competition to the extent practicable?

467. Does the award document specify that title to equipment purchased or fabricated with NSF funds will vest in the NSF? If not, title vests in the organization and the property is considered "exempt."

468. Does the organization have procedures in place to ensure that only equipment that is necessary for the sponsored activity is purchased? Is there a check to see if such equipment is reasonably available within the institution prior to purchasing it?

469. Is the equipment purchased with NSF funds of a scientific nature and purpose or is it general office equipment? The reviewer may wish to consult with the program officer or review the original budget to determine the appropriateness of computer and other multi-purpose equipment.

470. Do the awardee accounting system and property records show what equipment was purchased with Federal funds and exclude that portion from depreciation or use allowances claimed in calculating indirect costs? How is this done?

471. What is the organization's policy with respect to the use of equipment purchased after it is not longed needed on the NSF project? What if it is only needed intermittently?

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, and be accurately maintained in a property management or inventory system including the following information:

472. Description of the item of equipment

473. Manufacturer's serial number or other identification number

474. Source of equipment and award number of the funding award

475. Acquisition date

476. Share of Federal participation if awardee also provided funds to purchase the equipment

477. Location of the equipment

478. Condition of the equipment

479. Unit acquisition cost

480. Disposition data if the equipment is disposed of or sold

481. Detail if Federally owned or if title vests with the awardee

Suggested issues/questions to review are as follows:

482. Has the awardee submitted its most recent, audited financial statement to NSF, along with the latest fiscal year inventory results on time (July 15 and October 31 of each fiscal year)?

483. Do the policies and procedures require that a physical inventory of equipment be taken and reconciled with the equipment records at least once every 2 years? What was the date of the most recent inventory?

484. Do the awardee's inventory records contain all the information or data fields identified within its property management system requirements?

485. 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?

486. Is there a central location that receives and tags newly acquired property?

487. Do the policies and procedures require classification for types of personal property?

488. Do the policies and procedures require that the organization submit an annual report by NSF award 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 annually?

489. 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?

490. 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?

491. Do the policies and procedures outline how to reconcile the inventory?

492. Do the policies and procedures outline how to maintain a property record and the information it must contain?

493. Are policies and procedures in place for management of recordkeeping?

494. Does the system permit only authorized users to enter, modify, or otherwise alter property records?

495. Is there an audit trail for entries to a property record including the identification of individuals entering or approving information and/or other data?

496. How is off-site or loaned property managed and inventoried?

497. What is the process for notification of LDD property? Is NSF notified?

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. Suggested issues/questions to review are as follows:

498. Review the documentation/information provided 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. Is this guidance consistently applied among both the awardee and any suborganizations?

499. Do the policies and procedures provide guidance on using property purchased with federal funds to work offsite?

500. Are there security guidelines, policies, and procedures for safe handling of proprietary/sensitive information stored in property?

501. Does the system require that any loss, damage, or theft of equipment be investigated and fully documented?

502. Does the system require that any loss, damage, or theft of federally owned equipment be reported to the federal awarding agency?

Introduction

This section reviews and evaluates all activities related to the Human Resources (HR) function. Areas for review include HR management, regulatory compliance, HR policies and procedures, compensation policy, HR related information systems, and position descriptions as appropriate.

13.2 Reference Documents

503. [Immigration Reform and Control Act (IRCA) P.L. 99-603](#)

504. [Uniformed Services Employment and Reemployment Rights Act](#) (USERRA) (38 U.S.C. parts 4301 through 4333)

505. Employee Retirement Income Security Act (ERISA) of 1974

506. Uniformed Guidelines on Employee Selection Procedures

507. Fair Labor Standards Act of 1938

508. Davis-Bacon Act of 1931

509. Walsh-Healey Act of 1936

510. Service Contract Act of 1965

511. Retirement Equity Act of 1984

512. Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985

513. Family and Medical Leave Act (FMLA) of 1993

514. Health Insurance Portability and Accountability Act (HIPAA) of 1996

515. Mental Health Parity Act (MHPA) of 1996

516. Fair Credit Reporting Act

517. Employee Polygraph Protection Act

518. Drug-Free Workplace Act

519. Grants and Conditions Agreements for Organization

520. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.)

521. Title IX of the Education Amendments Act of 1972 (20 U.S.C. § 1681 et. seq.)

522. Executive Order 11246, Equal Employment Opportunity

523. Rehabilitation Act of 1973, Section 503 (29 U.S.C. § 793)

524. Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 U.S.C. § 4212)

525. Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000(e) et. seq.)

526. Equal Pay Act of 1963 (29 U.S.C. § 206(d) et. seq.)

527. Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621 et. seq.)

528. Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et. seq.)

13.3 Objective of Review

The objective of the HR system review is to assure the organization is in compliance with federal HR laws and regulations and with the HR related terms and conditions of the pertinent grants and agreements. In addition, the review should include evaluation of the awardee's policies and practices in hiring, compensation, retention, and training and development.

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

529. Documented processes and procedures to ensure compliance with grant and agreement requirements and federal laws and regulations related to HR

530. Fair and equitable compensation and benefits practices and implementing procedures incorporating meaningful market analyses

531. Effective recruitment and retention practices

532. Development of employees at all levels by providing ongoing learning opportunities via training, experience, and feedback to enhance individual knowledge or skill in leading others

533. Effective performance management processes that include meaningful measurements of employee performance, corrective action steps as necessary, and development planning

13.4 Areas of Concern

Areas of concern include the following:

534. Compensation and benefits systems are not based on meaningful market analyses

535. Organization is not in compliance with HR-related grant and agreement conditions

536. Organization is not in compliance with federal HR laws and regulations, including those covering reporting requirements

537. Organization does not have effective recruitment practices

538. Organization has not created meaningful job descriptions or competency requirements to assure good fit of applicants with open positions

539. Organization does not assess, counsel, train or develop its staff to ensure they can fulfill job expectations

540. Organization has not trained its managers to ensure they are aware of their legal HR requirements and have the skills to effectively lead and manage staff.

541. No process for assessing or measuring individual performance

13.5 Subject Area Information

13.5.1 Desk Review Documentation Request

In addition to obtaining basic information concerning the organization under review, reviewers should request the following information from the awardee to perform the desk review:

542. Human Resource Policies and Practices
Electronic access to or copies of all human resource-related policies and procedures, handbooks, manuals, etc. employed by the organization to manage its human resources.

543. Employee Benefits
Copy of the organization's Form 5500 Filings for the last 3 years, if applicable
Documentation and description of the type(s) of retirement plan(s), if any, offered by the organization: Defined Contribution, Defined Benefit, other?
Copy of life insurance, health insurance, and disability benefits plan documents and summary plan descriptions
A list of any benefits, other than those identified above, available to employees. Indicate whether they are available to all employees. If they are not available to all employees, indicate which benefits are available to which class of employee.
Communications to employees about retirement and benefits programs
Total annual organization paid costs for each benefit offered, including retirement
Documentation of organization and employee contribution percentages or amounts for each benefit offered, including any retirement or pension programs

544. Recruitment and Employment
If the organization sponsors J-1 and H-1 visa holders, a copy of the procedures used to ensure compliance with the employer's responsibilities
Workforce demographics and demographic trends
Documentation of the hiring process

545. Organizational structure
An organization chart and any supplemental explanatory information
Access to job descriptions for all key staff

546. Compensation practices

Written documentation of the process used and the results achieved from the most recent compensation and benefits analysis to support the structure of the compensation and benefits systems

The compensation structure, including an explanation of the use of market surveys, if any

An explanation of how the organization determines exempt and non-exempt status

- Performance Management and Employee Recognition
Performance appraisal policies and procedures
Employee recognition policies and procedures

547. Learning and Development
Relevant training materials, course offerings, and procedural guides related to the development of technical, scientific, administrative and leadership skills or competencies.

13.5.3 Human Resources Policies and Procedures

548. If required, has the organization provided proof that it filed a current Form 5500 with the Internal Revenue Service (IRS)?

549. Review the Benefits Plan Documents and the Summary Plan Descriptions for currency

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

551. For organizations offering Defined Benefit plans, was a copy of the plan valuation and a copy of the PBGC-1 provided?

552. Does the organization have a Drug-Free Workplace Policy that complies with the law and with award conditions?

553. Interview HR personnel to assure their knowledge of and compliance with Uniform Guidelines for Employee Selection Procedures.

554. Review Adverse Impact Analyses, if any, and any documentation of OFCC review

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

13.5.3 Leadership development

This section focuses on whether sufficient resources are dedicated to the development of leaders and managers within the organization.

Performance Appraisal Criteria and Measures

556. Do criteria focus on leadership skills?

557. Are required and recommended development activities clearly delineated?

Workforce Demographics and Demographic Trends

558. Is there diversity among leadership in terms of age, sex, race, etc.?

559. What steps is the organization taking to encourage and increase diversity?

Leadership Recruiting Plans

560. Does the awardee have a formal recruiting plan in place?

561. How varied are the media for posting openings (e.g., newspaper, internet, industry journals, executive search organizations)?

Retention Plans

562. Does the awardee have a competitive salary, benefits, and rewards structure?

563. Are other retention mechanisms in place (flexible work schedules, vacations, etc.)?

13.5.4 Recruitment and Employment

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

564. Does the organization have policies and procedures that:
Ensure that any essential competencies and/or knowledge necessary to qualify for various positions are identified?
Indicate that the organization advertises vacancies in a manner and to an audience likely to reach individuals best qualified for the vacancy?
Indicate that the organization seeks to use, where practicable, a competitive process to select individuals for vacancies?
Address internal advancement into higher level positions within the same discipline or into new disciplines?
Provide guidance to managers so that they know their rights and responsibilities regarding recruitment and advancement?
Provides guidance as to what questions can and cannot be asked of prospective employees?

565. Review the award agreement to determine whether specific levels of licensing, certification, or training are, or should be, required.

566. 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)?

567. Do the organization's policies and procedures contain information related to implementation and compliance with USERRA (38 U.S.C. parts 4301 through 4333)?

Applicant Screening

568. What does the organization do when it determines 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?

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

570. Does the organization conduct polygraph examinations? If so, is it in compliance with the Employee Polygraph Protection Act?

571. Does the organization request consumer credit reports on applicants and/or employees? If so, is it in compliance with the Fair Credit Reporting Act?

572. Is the organization in compliance with the provisions of the Drug Free Workplace Act (Public Law 100-690) of 1988?

Compensation

573. Review the documentation provided to determine whether the organization has a logical and appropriate scheme for establishing and modifying pay structures and defining salary ranges for staff.

574. 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. Do the policies and procedures contain:
Guidance related to setting initial compensation?
Guidance related to reviewing salaries and making adjustments?
Information related to implementation of and compliance with the Equal Pay Act?
Information related to implementation of and compliance with the Fair Labor Standards Act?

575. Review documentation to ensure the organization is in compliance with Davis-Bacon Act, Walsh Healey Act, and the Service Contract Act.

576. Review policies and practices with HR personnel regarding the rationale for pay structure and compensation policies to determine if they are effective and cost efficient.

Employee Benefits

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

577. Review the documentation provided to determine whether the organization makes employees aware of their benefits and of the services provided by the HR function. For example:
Do employees receive an employee handbook, a new employee orientation, or similar instructional material upon being hired?
Does the organization make available information regarding benefits and services provided by human resources through other means (e.g., intranet, newsletters)?

578. Do the policies and procedures contain information related to implementation and compliance with the FMLA (Public Law 103-3) (February 15, 1993)? For example, has the organization assigned someone the responsibility to:
Collect FMLA requests?
Determine appropriateness and approve or disapprove requests?
Monitor the amount of leave used to ensure that the entitlement is not abused?

Performance Management and Employee Recognition

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

579. Review the documentation/information provided to determine whether the organization has a performance management process. For example:
Do the policies and procedures contain guidance on setting work expectations?
Does a process exist for setting individual and/or team performance expectations?
Do employees have input to the process of setting performance expectations?
Do employees have input to the process of monitoring performance?
Do employees have input to the process of providing feedback?

580. Are compensation, award, and retention decisions based on performance outcomes?

581. By what mechanism are poor performers held accountable for their work efforts?

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.

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

583. Are there policies and procedures for determining what type of recognition an individual receives? What types of recognition are available (e.g., monetary, non-monetary, gifts, other)?

584. Who has the authority to approve and/or provide recognition?

585. What criteria are used to ensure that rewards are provided in an efficient and equitable manner?

586. Is there a link between recognition and performance?

13.5.4 Training and Development

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

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

588. Who participates in determining the organization's training and development needs (is there a steering committee, stakeholder feedback, other participatory process)?

589. What strategies are being implemented to help ensure that employees have or will continue to have the competencies and skills for the job?

590. How are employees selected for training?

591. Is training mandatory for particular positions (e.g., supervisors)?

592. Is all training job-related?

593. How are reasonable costs for training determined?

594. How are training costs paid (e.g., centralized or decentralized, employee and organization split costs, cost reimbursement upon course completion.)?

595. How much does the organization spend per employee on training?

596. Are employees required to work a certain amount of time before they are eligible for training?

597. Are there any requirements for continued employment service subsequent to training?

598. What training delivery systems are used (e.g., on-the-job training, Web-based learning, classroom training, conference, satellite)?

599. Is there any return on investment data?

600. Are any changes expected in the work or the organization and how might these changes impact the employee development program?

Employee Relations and Employee Assistance

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

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

602. Is there a person/place (either in the organization or through a third-party) where employees can air confidential employment-related matters?

603. Who has the right to discipline or fire an employee?

604. What training and guidance are provided to these individuals to ensure they are properly exercising their rights and responsibilities regarding employee discipline and termination?

605. Is there any neutral review of such determinations to protect the organization from claims of discrimination, violation of employment agreements, etc?

606. Does the organization have an employee assistance program to assist employees with personal or family problems?

607. How is this program publicized?

608. What confidentiality guarantees are provided?

Have procedures been established to address the possibility of violence in the workplace?Human Resources System Review

Introduction

This section reviews and assesses all activities related to the Human Resources (HR) function. This involves an assessment of subject area management; succession planning; regulatory compliance; the collection and review of HR policies and procedures, position descriptions and qualifications statements for key personnel; compensation rates; and various HR-related systems.

Reference Documents

609. [Immigration Reform and Control Act (IRCA) P.L. 99-603](#)

610. [Uniformed Services Employment and Reemployment Rights Act](#) (USERRA) (38 U.S.C. parts 4301 through 4333)

611. Employee Retirement Income Security Act (ERISA) of 1974

612. Uniformed Guidelines on Employee Selection Procedures

613. Fair Labor Standards Act of 1938

614. Davis-Bacon Act of 1931

615. Walsh-Healey Act of 1936

616. Service Contract Act of 1965

617. Retirement Equity Act of 1984

618. Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985

619. Family and Medical Leave Act (FMLA) of 1993

620. Health Insurance Portability and Accountability Act (HIPAA) of 1996

621. Mental Health Parity Act (MHPA) of 1996

622. Sarbanes-Oxley Act of 2002

623. Fair Credit Reporting Act

624. Employee Polygraph Protection Act

625. Drug-Free Workplace Act

626. Grants and Conditions Agreements for Organization

627. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq.)

628. Title IX of the Education Amendments Act of 1972 (20 U.S.C. § 1681 et. seq.)

629. Executive Order 11246

630. Rehabilitation Act of 1973, Section 503 (29 U.S.C. § 793)

631. Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 U.S.C. § 4212)

632. Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000(e) et. seq.)

633. Equal Pay Act of 1963 (29 U.S.C. § 206(d) et. seq.)

634. Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621 et. seq.)

635. Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et. seq.)

Objective of Review

The objective of the HR system review is to assure the organization is in compliance with federal HR laws and regulations and with the terms and conditions of HR-related grants and agreements and is planning for succession of key roles and positions

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

636. Policies and practices that assure the right people with the right skills are in the right jobs at the right time

637. Management and employee developmental activities that allow staff to effectively accomplish their jobs

638. Demonstrated compliance with grant and agreement requirements and federal laws and regulations covering HR

639. Fiscally responsible compensation and benefits practices and a meaningful performance management system

640. Effective recruitment and retention practices.

641. Retain personnel by encouraging successful leaders to continue engaging their talent and commit to the organization

642. Develop employees by providing ongoing learning opportunities via training, experience, or feedback to enhance individual knowledge or skill in leading others

643. Assess and conduct performance management by identifying and measuring criteria to select successful leaders and evaluate their performance/potential

Areas of Concern

Areas of concern include the following:

644. Compensation and benefits systems are not based on meaningful market analyses that justify their existence, are not fiscally responsible, and/or create inappropriate unfunded liabilities

645. Organization is not in compliance with HR-related grant and agreement conditions

646. Organization is not in compliance with federal HR laws and regulations, including those covering reporting requirements

647. Organization does not have effective recruitment practices

648. Organization has not created meaningful job descriptions or competency requirements to assure good fit of applicants with open positions

649. Organization does not assess, counsel, train or develop its staff to ensure they can fulfill job expectations

650. Organization has not trained its managers to ensure they are aware of their legal HR requirements and have the skills to effectively lead and manage staff.

651. No clear recruiting or retention plan

652. Misalignment of management priorities and objectives with strategic organizational goals

653. Large wave of retirement or retirement eligibility within an organization

654. Consistent and heavy attrition

655. No process for assessing or measuring individual performance

656. External pressures from market conditions, which emphasizes competition for employees, investors and customers from both for-profit and non-profit organizations

657. Issues stemming from laws and regulations that increase the emphasis on the strategic management of human capital

Subject Area Information

Desk Review Documentation Request

In addition to obtaining basic information concerning the organization under review, reviewers will in advance request the following information from the awardee to perform the desk review:

658. Human Resource Policies and Practices

Electronic access to or copies of all human resource policies and procedures, handbooks, manuals, etc. employed by the organization to manage its human resources, including such documents related to—
- Recruitment and advancement
- Applicant screening and selection
- Compensation
- Employee benefits and services
- Performance management
- Employee recognition
- Employee training and development
- Employee relations
- Employee assistance
- Job structuring practices
- Vacation and sick leave
- Time and attendance
- Personnel security procedures
- Conflict of interest
- Drug Free Workplace.

659. Employee Benefits

Copy of the organization's Form 5500 Filings for the last 3 years, if applicable

A description of the type(s) of retirement plan(s), if any, offered by the organization: Defined Contribution, Defined Benefit, both, or other?
- If Defined Contribution, provide copies of payment documentation and proof that payments are current
- If Defined Benefit, provide a copy of the plan valuation and a copy of the PBGC-1 (Pension Benefit Guaranty Corp.)
- Tests the organization performs to ensure that its retirement plan is qualified

Copy of life insurance, heath insurance, and disability benefits plan documents and summary plan descriptions

Evidence of tests performed to ensure that benefit plans are qualified

A list of any benefits, other than those identified above, available to employees. Indicate whether they are available to all employees. If they are not available to all employees, indicate which benefits are available to which class of employee.

Communications to employees about retirement and benefits programs, including any regarding the Employee Retirement Income Security Act (ERISA), the Health Insurance Portability and Accountability Act (HIPAA), or the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Total annual agency costs for each benefit offered, including retirement

Documentation of agency and employee contribution percentages or amounts for each benefit offered, including any retirement or 401K-like programs

660. Recruitment and Employment

Vacancy information (e.g., vacancy announcement, advertisements, assessment schema, marketing and outreach plan, applications, interview guides) for the last five advertised vacancies.

If the organization sponsors J-1 and H-1 visa holders, a copy of the procedures used to ensure compliance with the employer's responsibilities Workforce demographics and demographic trends

Hiring metrics and timelines

A listing by name and position title of all H-1 and J-1 visa holders employed by the organization, if any

661. Organizational structure

An organization chart and any supplemental explanatory information, such as mission and functions statements, management structure, employee listing by organizational location, position title, job level, and exempt/nonexempt status and salary

Electronic access to job descriptions for all key staff

662. Compensation practices

Written documentation of the process used and the results achieved from the most recent compensation and benefits analysis to support the structure of the compensation and benefits systems and/or any other written rationale for the structure of the compensation and benefits systems, including the vacation system

The compensation structure, including an explanation of the pay structure and pay levels and minimum/maximum salaries by level

An explanation of how the organization determines exempt and non-exempt status

Retention plans, including raise and bonus structure, promotion requirements, etc.

- Performance Management and Employee Recognition

Performance appraisal criteria used to assess individuals, any measures used to determine employee ratings, and a description of the feedback mechanisms used to convey appraisal results to individuals

Performance appraisal forms used to assess employees

Any schema for monetary recognition of employees based on performance or tenure

663. Personnel Security

An explanation of any background investigation and/or personnel security procedures used by the organization to pre-screen applicants

A listing of personnel security designations by position title

664. Learning and Development

A formally published or organization-approved succession or succession management plan and results of succession management strategy

Strategic plan, business plans, or human capital plan, which may drive succession planning

Relevant training materials or procedural guides related to the development of technical and leadership skills or competencies

Subject Area Management

665. Does the organization chart clearly present the reporting and management structure?

666. Does the organization chart clearly reflect all approved positions?

667. Does the organization chart appear to be logical with positions appropriately aligned?

668. Are goals and metrics in place and routinely used to assess progress? What information is *generated*? What information is *used*? What internal or external reviews are conducted to assure compliance with laws and policies? What practices exist to ensure that human resource staff is current with new laws and regulations and aware of human resource best practices?

669. Does the organization periodically review its policies and procedures and make necessary revisions based upon changes in practice, regulations, and requirements?

670. Meet with responsible personnel to determine how management establishes the number and type of personnel needed to effectively accomplish its mission, the approval process for the creation of new positions or the revision of existing ones, and the budget review process used to ensure funds are available to support the organizational structure. Interview personnel involved in HR 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.

Human Resources Policies and Procedures

671. If required, has the organization provided proof that it filed a current Form 5500 with the Internal Revenue Service (IRS)?

672. Review the Benefits Plan Documents and the Summary Plan Descriptions to determine if the organization is in compliance with ERISA requirements. At a minimum, an ERISA-compliant organization should develop a "plan document" that serves as the plan's constitution and a summary plan description. Specifically, with regard to ERISA requirements, 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.

673. 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.

674. For organizations offering Defined Benefit plans, was a copy of the plan valuation and a copy of the PBGC-1 provided?

675. Has the organization performed tests to ensure that its retirement plan is qualified? Both Defined Contribution and Defined Benefit 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.

676. Does the organization have procedures used to sponsor J-1 and H-1 visa holders and are those procedures sufficient to ensure compliance with the employer's responsibilities and in full compliance with federal laws?

677. Does the organization have a Drug-Free Workplace Policy that complies with the law and with award conditions?

678. Interview HR personnel to assure their knowledge of and compliance with Uniformed Guidelines for Employee Selection Procedures.

679. Review several vacancy announcements and files to ensure all appropriate documentation is maintained for review and reconstruction purposes.

680. If the organization performs Adverse Impact Analyses, determine if they are performed in order to identify and eliminate systemic and/or accidental discrimination. Do the analyses, for example, ensure that men and women, minorities and non-minorities, etc., are being treated in the same way?

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

Succession Planning

This section reviews and assesses all activities related to the succession planning and management function. This assessment process comprises an analysis of whether the awardee sufficiently focuses on identifying and developing key people to ensure that leaders are available in the future to foster organizational success, diversity and sustainability. This assessment will also allow the NSF to determine whether the awardee will be able to continue managing the award should leadership roles change or evolve during the life of the award. Succession planning:

682. Identifies and grooms candidates for future openings in key positions

683. Is a process of ensuring stability and continuity of personnel

684. Matches available or current workforce with talent needed in the future

685. Ensures "bench strength" to fill unexpected or expected vacancies

686. Occurs with development, replacement and strategic application of key people over time

Succession Management Plan

687. Should the current leaders of the awardee organization retire, is there a mechanism in place to ensure the consistent leadership of the organization and oversight and management of the grant?

688. With regard to the practitioners who are performing the work to achieve the results delineated in the grant, is there a mechanism in place to ensure their effective management? Replacement in case of retirement or attrition?

689. Are succession strategies and mechanisms clearly defined?

690. Are recruiting and selection, retention, training, measurement, and performance assessment processes delineated?

691. Is the succession plan robust and detailed?

692. Does the strategic, business, or human capital plan discuss organizational leadership in the context of their overall mission or vision?

693. Is succession planning a component of strategic processes?

Succession Planning Processes

694. Is the succession planning process documented in terms of process maps or flow charts?

695. Are the process steps clearly defined (e.g., start/finish activities, decision points, technology used, flow direction)?

696. Does the process involve the relevant stakeholders (e.g., program directors, HR, succession committee)?

697. Are the process steps' inputs, outputs, and dependencies described?

Performance Appraisal Criteria and Measures

698. Are there written procedures? Do they align with NSF expectations? Are the procedures followed? Can they be substantiated?

699. Are performance appraisal criteria robust and measurable?

700. Do criteria focus on leadership skills?

701. Do appraisals contribute to individual ratings, bonuses, raises, promotions?

702. How is appraisal feedback presented to recipients?

703. Is there a prescription for suggested development actions for the next round of appraisals?

Workforce Demographics and Demographic Trends

704. Is there diversity among leadership in terms of age, sex, race, etc.?

705. Are there market drivers that could impact whether leaders remain with the awardee organization?

Vacancy Statistics

706. How many vacancies currently exist within the organization? How many of those are considered leadership positions?

707. What has been the vacancy trend over time? What is the turnover rate?

708. Does the organization manage succession by anticipating vacancies and considering criticality? Or does the organization manage succession by grooming an individual successor or a pool of potential successors for key roles in the organization?

Position Profiles and Position Descriptions

709. Do position profiles and/or descriptions include detailed information regarding job responsibilities, reporting structure, processes relevant to responsibilities, and other information that can be used by a successor?

710. Are position profiles and/or descriptions updated regularly?

Recruiting Plans

711. Does the awardee have a formal recruiting plan in place to fill vacancies – both leadership vacancies staffed externally, and a mechanism for hiring to back-fill positions from which leaders are promoted?

712. How varied are the media for posting openings (e.g., newspaper, internet, industry journals, head-hunting organizations)?

Retention Plans

713. Does the awardee have a competitive bonus and raise structure?

714. Is there a logical and achievable promotion plan in place to fill leadership positions from within?

715. Are other retention mechanisms in place (flexible work schedules, vacations, etc.)?

Recruitment and Employment

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

716. Review the documentation/information provided to determine whether the organization bases decisions regarding recruitment and advancement on practices designed to ensure that positions advertised will attract the right candidates, that applicants are qualified, and that the candidate best qualified for each position is selected. Does the organization have policies and procedures that:

Ensure that any essential competencies and/or knowledge necessary to qualify for various positions are identified?

Indicate that the organization advertises vacancies in a manner and to an audience likely to reach individuals qualified for the vacancy?

Indicate that the organization seeks to use, where practicable, a competitive process to select individuals for vacancies?

Address internal advancement into higher level positions within the same discipline or into new disciplines?

Provide guidance to managers so that they know their rights and responsibilities regarding recruitment and advancement?

Provides guidance as to what questions can and cannot be asked of prospective employees?

717. Review the award agreement to determine whether specific levels of licensing, certification, or training *are* required.

718. Review the list of position titles in the organization to determine whether specific levels of licensing, certification, or training *should be* required.

719. 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)?

720. Do the organization's policies and procedures contain information related to implementation and compliance with USERRA (38 U.S.C. parts 4301 through 4333)?

721. Review documentation to determine whether practices used to advertise, recruit, and select individuals are in compliance with Uniformed Guidelines for Employee Selection Procedures.

Applicant Screening/Personnel Security

722. Does the organization conduct appropriate background screenings on candidates to ensure they are suitable for employment and will not compromise organization endeavors and/or proprietary information?

723. Has the organization conducted an assessment to determine how extensive an applicant screening program is needed? Is the organization responsible for any highly sensitive, classified, or proprietary information?

724. If a personnel security program exists, are there different levels of security investigations based on the level/access of the employee? If yes, who determines the security level required for each position and what criteria are used to make that determination?

725. If an applicant screening program exists, what specific processes are in place to check the backgrounds of applicants/employees?

726. What does the organization do when it determines 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?

727. 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?

728. Does the organization conduct polygraph examinations? If so, is it in compliance with the Employee Polygraph Protection Act?

729. Does the organization request consumer credit reports on applicants and/or employees? If so, is it in compliance with the Fair Credit Reporting Act?

730. Is the organization in compliance with the provisions of the Drug Free Workplace Act (Public Law 100-690) of 1988? If the organization did not provide a copy of its Drug-Free Workplace policy, follow up with HR staff regarding the organization's compliance with award conditions and with the Drug-Free Workplace Act.

731. Are there any positions that have access to classified information? If the organization has positions that have access to classified information, what procedures exist to ensure individuals do not have access to such materials until their background investigation has been fully adjudicated?

Compensation

732. Review the documentation provided to determine whether the organization has a logical and appropriate scheme for establishing and modifying pay structures and defining salary ranges for staff.

733. 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. Do the policies and procedures contain:

Guidance related to setting initial compensation?

Guidance related to reviewing salaries and making adjustments?

Information related to implementation of and compliance with the Equal Pay Act?

Information related to implementation of and compliance with the Fair Labor Standards Act?

734. Review documentation to ensure the organization is in compliance with Davis-Bacon Act, Walsh Healey Act, and the Service Contract Act.

735. Review policies and practices with HR personnel regarding the rationale for pay structure and compensation policies to determine if they are effective and cost efficient.

Employee Benefits

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

736. Review the documentation provided to determine whether the organization makes employees aware of their benefits and of the services provided by the HR function. For example:

Do employees receive an employee handbook, a new employee orientation, or similar instructional material upon being hired?

Does the organization make available information regarding benefits and services provided by human resources through other means (e.g., intranet, newsletters)?

737. Review the documentation provided to ensure compliance with ERISA, COBRA, the Retirement Equity Act, and HIPAA.

738. Do the policies and procedures contain information related to implementation and compliance with the FMLA (Public Law 103-3) (February 15, 1993)? For example, has the organization assigned someone the responsibility to:

Collect FMLA requests?

Determine appropriateness and approve or disapprove requests?

Monitor the amount of leave used to ensure that the entitlement is not abused?

Performance Management and Employee Recognition

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

739. Review the documentation/information provided to determine whether the organization has a performance management process. For example:

Do the policies and procedures contain guidance on setting work expectations?

Does a process exist for setting individual and/or team performance expectations?

Do employees have input to the process of setting performance expectations?

Do employees have input to the process of monitoring performance?

Do employees have input to the process of providing feedback?

740. Are compensation, award, and retention decisions based on performance outcomes?

741. By what mechanism are poor performers held accountable for their work efforts?

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.

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

743. Are there policies and procedures for determining what type of recognition an individual receives? What types of recognition are available (e.g., monetary, non-monetary, gifts or savings bonds, other)?

744. Who has the authority to approve and/or provide recognition?

745. What criteria are used to ensure that rewards are provided in an efficient and equitable manner?

746. How do you gauge the effectiveness of your recognition programs and whether there is a link between recognition and performance?

Training and Development

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

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

748. Who participates in determining the organization's training and development needs (is there a steering committee, stakeholder feedback, other participatory process)?

749. What strategies are being implemented to help ensure that employees have or will continue to have the competencies and skills for the job?

750. How are employees selected for training?

751. Is training mandatory for particular positions (e.g., supervisors)?

752. Do employees have individual learning plans?

753. Is all training job-related?

754. How are reasonable costs for training determined?

755. How are training costs paid (e.g., centralized or decentralized, employee and organization split costs, cost reimbursement upon course completion.)?

756. How much does the organization spend per employee on training?

757. What is the average number of hours per year that employees spend at designated learning activities (e.g., classroom, e-learning, conferences, etc.)?

758. Are employees required to work a certain amount of time before they are eligible for training?

759. Are there any requirements for continued employment service subsequent to training?

760. What training delivery systems are used (e.g., on-the-job training, Web-based learning, classroom training, conference, satellite)?

761. Is there any return on investment data?

762. How is the program funded?

763. Are any changes expected in the work or the organization and how might these changes impact the employee development program?

764. Select a sample of employees to interview to determine whether their training and development needs are being met.

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 have employee assistance programs that allow employees to confidentially address personal or family problems.

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

766. Is there a person/place (either in the organization or through a third-party) where employees can air confidential employment-related matters?

767. Who has the right to discipline or fire an employee?

768. What training and guidance are provided to these individuals to ensure they are properly exercising their rights and responsibilities regarding employee discipline and termination?

769. Is there any neutral review of such determinations to protect the organization from claims of discrimination, violation of employment agreements, etc?

770. Does the organization have an employee assistance program to assist employees with personal or family problems?

771. How is this program publicized?

772. What confidentiality guarantees are provided?

773. Have procedures been established to address the possibility of violence in the workplace?