



National Science Foundation

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MEMORANDUM

Date: November 26, 2014

From: Ms. Martha A. Rubenstein *Marty*
Office Head and Chief Financial Officer
Office of Budget, Finance, and Award Administration (BFA)

To: Dr. Brett M. Baker
Assistant Inspector General for Audit
Office of Inspector General (OIG)

Subject: NSF Review of Management Fee Policies and Controls

The payment of a small but appropriate management fee has been a long standing practice at NSF in limited circumstances related to the construction and operation of major facility projects. Specific examples of uses for management fee, though not exhaustive, include providing organizations with some level of retained earnings in order to obtain credit from financial institutions as necessary for the conduct of business, and for unreimbursed expenses that are ordinary and necessary for management of the project but that may not be reimbursable under the cost principles.

NSF is now undertaking a comprehensive evaluation of agency management fee practices. This review will be used to evaluate NSF's policies on the use of management fee and may result in steps to strengthen both the criteria used to establish management fee and controls that may be necessary to ensure that uses of fees are consistent with those established criteria. We note that NSF continues to support the availability of management fee when justified for individual awards, yet seeks to ensure that use is appropriate in the context of federal financial assistance.

This evaluation is separate and apart from the activity announced by the Office of Inspector General in its Fiscal Year 2015 Annual Audit Work Plan, viewable at <http://www.nsf.gov/oig/pubs.jsp>.