

The National Academy of Public Administration (NAPA) Report:
IMPLEMENTATION OF RECOMMENDATION ON MANAGEMENT FEE



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in the Office of Budget, Finance, and Award Management
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NAPA Recommendation to Eliminate Management Fee

- NAPA Report Recommendation 4.3 (pg. 47):
 - Objective: To eliminate the additional management burdens and potential for funding inappropriate expenses posed by management fee.
 - Recommendation: NSF should eliminate the practice of including management fee in cooperative agreements in future projects.
- NAPA recommended alternatives to providing management fee.
 - NSF should consider addressing expenses as indirect costs or through use of award contingency.
 - If necessary, NSF could request legislative authority to identify as allowable costs any significant expenses that would not qualify under this approach.



NSF Actions to Address NAPA Recommendation

- NSF formed a task group with expertise to address viability and efficacy of implementing the NAPA Recommendation.
 - Group organized in March 2016. Included expertise from NSF Program Offices, Business Functions, and Office of the General Counsel.
 - Group considered a range of options to address expenses in addition to those recommended by NAPA.
- NSF updated the NSB on progress at May 8-9 NSB Meeting.
 - Analysis to date indicated that expenses could not be addressed as indirect costs or contingency.
 - Allowing fee helps ensure competition among qualified organizations.
 - NSF would continue to use management fee and complete the analysis of the policy's impacts.



Final Findings of Management Fee Group

NAPA Finding: Address management fee expenses through indirect costs or contingency.

NSF Response: Analysis confirms that expenses addressed through management fee cannot be effectively met through indirect costs or contingency.

Other Findings:

- Eliminating management fee would disadvantage large facility awardees.
- Eliminating management fee would have a detrimental effect on incentivizing highly qualified organizations from competing for large facility awards.
- NSF's current management fee policy is administratively burdensome on both NSF and awardees.
- Even current management fee guidelines do not completely eliminate the risk of funding questionable expenses.
- NSF should more broadly consider other approaches to providing fee for these limited number of awards (9).



Examples of Appropriate Uses of Management Fee

- Working Capital
- Facilities Capital
- Other ordinary and necessary expenses, such as:
 - ✓ Contract terminations and losses
 - ✓ Certain appropriate educational and public outreach activities
 - ✓ University visitor support programs and student exchange programs
 - ✓ Research activities valuable to the scientific pursuits of the organizations but not directly required to support funded programs
 - ✓ Financial incentives to obtain and retain high caliber staff



Options Considered

1. Adopt fee-types consistent with those typically provided in government contracting.
2. Adopt fee-types consistent with those typically provided in government contracting, with additional guidelines to awardees including examples of inappropriate uses of fee. NSF retains authority to require reporting on fee expenditures.
3. Continue use of the current NSF management fee policy.
4. Continue use of the current management fee policy as a base fee, plus allow flexibility to add additional fee-types with the requirement for awardees to affirm that they will not use fee for prohibited purposes.

Option Selected

1. Adopt fee-types consistent with those typically provided in government contracting.
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3. Continue use of the current NSF management fee policy.
4. Continue use of the current management fee policy as a base fee, plus allow flexibility to add additional fee-types with the requirement for awardees to affirm that they will not use fee for prohibited purposes.