

GAO Highlights

Highlights of [GAO-17-721](#), a report to the Chairman, Committee on Science, Space, and Technology, House of Representatives

Why GAO Did This Study

NSF awards billions of dollars to institutions of higher education (universities), K-12 school systems, industry, science associations, and other organizations to promote scientific progress by supporting research and education.

NSF reimburses awardees for direct and indirect costs incurred for most awards. Direct costs, such as salaries and equipment, can be attributed to a specific project that receives an NSF award. Indirect costs, such as the costs of operating and maintaining facilities, are not directly attributable to a specific project but are necessary for the general operation of an awardee's organization. For certain organizations, NSF also negotiates ICR agreements, which are then used for calculating reimbursements for indirect costs. ICR negotiations and reimbursements are to be done in accordance with federal guidance and regulation and NSF policy.

GAO was asked to review the amount of NSF funding for indirect costs and NSF's negotiation of ICRs. This report examines (1) what is known about indirect costs on NSF awards over time, and (2) the extent to which NSF has implemented guidance for setting ICRs for organizations over which it has cognizance. GAO reviewed relevant regulations, guidance, and agency documents; analyzed budget data and a nongeneralizable sample of nine ICR files from fiscal year 2016 selected based on award funding; and interviewed NSF officials.

What GAO Recommends

GAO recommends that NSF take three actions to improve its guidance for setting ICRs, including adding certain details and procedures. NSF concurred with GAO's recommendations and described plans to address them.

View [GAO-17-721](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

September 2017

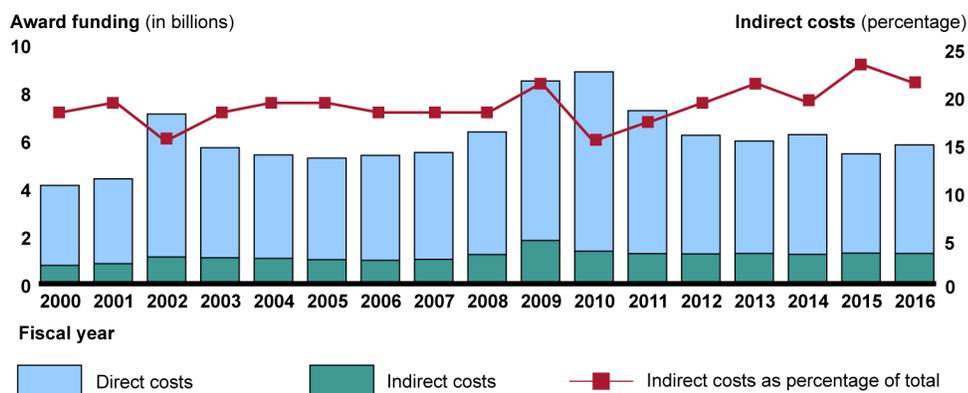
NATIONAL SCIENCE FOUNDATION

Actions Needed to Improve Oversight of Indirect Costs for Research

What GAO Found

For National Science Foundation (NSF) awards during fiscal years 2000 through 2016, budgeted indirect costs varied from 16 to 24 percent of the total annual amounts the agency awarded. The percentage fluctuated during this period, though this percentage generally has increased since reaching a low point in 2010. The variation from year-to-year was based on various factors such as by the types of activities supported by the awards and the types of awardee organizations receiving the awards.

Annual Direct and Indirect Costs Budgeted on National Science Foundation (NSF) Awards, Fiscal Years 2000–2016



Source: GAO analysis of NSF data. | GAO-17-721

Note: Award funding has not been adjusted for inflation.

NSF has developed internal guidance for setting indirect cost rates (ICR) but has not consistently implemented this guidance and has not included certain details and procedures, in particular:

- NSF has not consistently implemented its guidance because it has not yet required NSF staff to follow aspects of its guidance, such as using a documentation checklist that NSF developed to verify that an awardee's ICR proposal package is complete.
- NSF did not include details on supervisory activities, such as the criteria to be used by the supervisor of the ICR process for assessing an ICR proposal's risk level and mitigating risks at each level.
- NSF did not include certain procedures, such as for implementing new provisions of federal guidance on setting ICRs.

NSF officials described ways that staff implement procedures even though the procedures are not fully detailed or included in guidance. Nevertheless, with complete guidance that includes the missing details and procedures and that is consistently followed, NSF could better ensure that ICRs are set consistently and in accordance with federal guidance on indirect costs and with federal internal control standards.