



Association of Universities for Research in Astronomy, Inc.

POLICY FOR ALLOWABLE COST CATEGORIES UNDER MANAGEMENT FEE AWARDS

AURA conducts a significant level of research that is sponsored by the federal government. A Management Fee may be authorized for awards to non-profit organizations in the limited circumstances of construction or operations of a large facility under an NSF assistance award when the organization has limited or no other financial resources to cover certain ordinary and necessary business expenses that may not be reimbursable under the governing cost principles.

NSF has recently strengthened both the criteria used to establish management fees and the controls that may be necessary to ensure that uses of fees are consistent with those established criteria. This has resulted in a revised policy that will be found in the NSF Large Facilities Manual.

The following criteria will be used in the negotiation and award of a management fee per contract:

- **Working capital necessary to fund operations under an award** - Amounts for working capital may be necessary to ensure a level of retained earnings available to the organization in order to secure credit and borrowing to assure the financial health of the organization.
- **Facilities capital necessary to acquire assets for performance** - An amount for facilities capital may be necessary to allow the organization to acquire major assets and to address expenses that require immediate substantive financial outlays but that are only reimbursed through depreciation or amortization over a period of years.
- **Amounts for other expenses that are ordinary and necessary for business operations but that are not otherwise reimbursable under the governing cost principles** – Amounts for other expenses that are ordinary and necessary but not otherwise reimbursable can provide a reasonable allowance for management initiative and investments that will directly or indirectly benefit NSF. Example of potential appropriate needs include contract terminations and losses, certain appropriate educational and public outreach activities, and providing financial incentives to obtain and retain high caliber staff. Amounts for these criteria warrant careful consideration of the benefits that may be obtained by NSF when providing management fee. The following are examples of expenses that do not benefit NSF:
 - Alcoholic beverages
 - Tickets to concerts, sporting and other events
 - Vacation or other travel for non-business purposes
 - Charitable contributions
 - Social or sporting club memberships
 - Meals for non-business purposes or so extravagant as to constitute entertainment
 - Luxury or personal items
 - Lobbying

As set forth in the Uniform Guidance at 2 CFR 200.45, http://www.ecfr.gov/cgi-bin/text-idx?SID=035ecf16c20df51a1b501cd52bdc0e92&node=pt2.1.200&rgn=div5#_top, any expenditure that does not meet the criteria and purpose outlined in the approved proposal to NSF is unallowable and must be funded by Corporate Unencumbered Income sources. Any use of Corporate Unencumbered Income sources must be approved in advance by the President of AURA or his/her designee.

Cost proposals to the NSF for Management Fee must provide sufficient visibility into each criterion to identify its intended purpose. Even though management fee represents an amount in excess of cost and therefore not subject to application of the cost principles set forth at 2 CFR part 200, subpart E, NSF maintains a strong interest in how those monies are used.

The examples of the types of allowable use of management fee are listed below. These may not be reimbursable by the federal contracts, but are necessary for conducting AURA’s business and will continue to be funded by AURA management fees when approved by a Center Director. AURA’s goal is to comply with appropriate federal regulations while supporting departmental management and control of all accounts.

Examples of Allowable Use of Management Fee

Expense Type	Explanation	Conditions
Education, Public Outreach and Community Activities	When programmatic activities with the public and local communities are considered necessary, but are not directly funded by NSF cooperative agreements.	Activities must have a direct connection to the work performed by AURA under NSF agreements or must be considered necessary to demonstrate corporate responsibility in a local community.
Staff Events	When staff events with a business purpose include costs that are considered a social activity within the event.	Such staff events generally meet one of the following conditions: <ul style="list-style-type: none"> • Improvement of Working Conditions; • Improvement of Health; • Improvement of Employer\Employee Relations; or • Improvement of Employee Performance Costs may not include alcohol or entertainment
Employee Recruitment and Benefits	When considered necessary to obtain and retain high caliber staff yet have unique attributes that cause the costs to fall outside of what is allowable under Uniform Guidance.	Must be incorporated into the recruitment process and\or benefit package and deemed necessary to the interview process or hiring of high profile staff.

Examples of Allowable Use, continued

Expense Type	Explanation	Conditions
Travel and Other Costs	When costs are considered reasonable under AURA policy, but do not meet the allowability requirements under Uniform Guidance.	Cost categories must be documented and approved within AURA's management fee proposal.

In addition to those expenses above, AURA may request additional Management Fee to mitigate Corporate Risk as signatory on a variety of contracts which are engaged in for the purpose of maintaining regular operations. Additionally, AURA may request additional management fee to provide working capital necessary maintain a level Unencumbered Income sources necessary to ensure the health of AURA. Any use of management fee for these purposes may only be approved by the AURA President or his/her designee.

Annual Review of Allowable Cost Categories under Management Fee Awards

Annually, AURA will prepare a detail listing of costs incurred under the management fee awards for NSF review and audit. The accounting structure developed by AURA will allow for automated reporting which isolates the management fee costs. A reconciliation will be completed to ensure the detail list of transactions agrees to each Center's management fee charges.