



All About Costs

A Post-Award Primer

NIH Regional Seminar

Las Vegas, NV

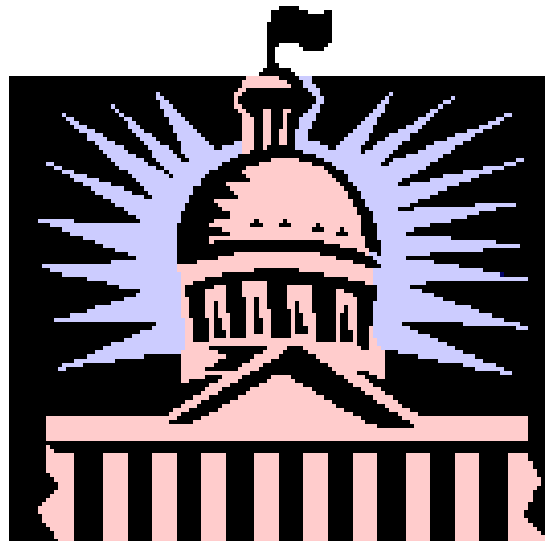
June 2009



Discussion Topics

- Cost Principles
- Administrative Standards
- Salary Rate Limitation
- Award Restrictions
- Responsibilities
- Accounting Basics
- Monitoring Basics
- Audit Requirements
- Subrecipient Monitoring
- NIH Financial Reporting Basics
- Closeout

Federal Requirements





Cost Principles

- **OMB Circular A-21 (2 CFR Part 220)** - Educational Institutions
- **OMB Circular A-122 (2 CFR Part 230)** – Non-Profits
- **OMB Circular A-87 (2 CFR Part 225)** – State/Local Governments
- **45 CFR Part 74, Appendix E** - Hospitals
- **48 CFR Subpart 31.2 (FAR)** – For-profits

- **Foreign** institutions comply with the applicable cost principles depending on the type of organization

<http://www.whitehouse.gov/omb/circulars/>
<http://www.gpoaccess.gov/cfr/index.html>



A-21/A-122 (2 CFR 220/230)

Cost Principles

- Establishes principles for determining costs applicable to grants, contracts, and other agreements
- Direct costs
- F&A/indirect costs
- Selected items of cost
 - allowable/unallowable costs
 - time and effort reporting



Administrative Standards

- **OMB Circular A-110 – 2 CFR Part 215**
(formerly at 45 CFR Part 74) - Uniform Administrative Requirements for Grants and Agreements with Universities, Hospitals and Other Non-Profit Organizations (domestic and foreign)



OMB Circular A-110

Administrative Requirements

Prescribes:

- Preadward requirements
- Postaward requirements

Also includes requirements for:

- Payment
 - Matching or Cost sharing
 - Accounting for program income
 - Revision of budget and program plans
 - Non-Federal audits
 - Allowable costs
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- Financial management systems standards
 - Property standards
 - Procurement standards
 - Reports and records

Audit Requirements

- In general, OMB Circular A-133 requires a State government, local government, or non-profit organization (including institutions of higher education) that **expends \$500,000 or more per year under Federal grants, cooperative agreements, and/or procurement contracts** to have an annual audit by a public accountant or a Federal, State, or local government audit organization.
- Foreign and Commercial (for-profit) organizations are subject to audit provisions contained in 45 CFR 74.26 (d) and the NIH Grants Policy Statement

Summary of Applicable Regulations

Grantee Type	Administrative Requirements	Cost Principles	Audit Requirements
State & Local Governments	A-102 (45 CFR Part 92)	A-87 (2 CFR Part 225)	A-133 <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> 45 CFR Part 74.26(d)
Colleges & Universities	A-110 (2 CFR Part 215 formerly at 45 CFR Part 74)	A-21 (2 CFR Part 220)	
Non-Profits		A-122 (2 CFR Part 230)	
Hospitals		45 CFR Part 74, Appendix E	
For-Profits		FAR 31.2 (48 CFR Subpart 31.2)	
Foreign		As stated above for the grantee type	

Grant Award Basics

***** NOTICE OF AWARD*****

Issue Date:06/24/2008

CENTER GRANT

Department of Health and Human Services

National Institutes Of Health

Read the Notice of Award

- Special Terms and Conditions – Section IV

- Terms of Award – Section III
 - 45 CFR Part 74 or 92 - HHS rules and requirements that govern the administration of grants
 - NIH Grants Policy Statement – policy requirements that serve as the terms and conditions of NIH awards (latest version 12/01/03)
 - Program legislation
 - Appropriation acts
 - Program regulations
 - 42 CFR Part 52 - Grants for Research Projects

Award Restrictions (Section IV)

- Only applied to a particular grant for cause
- Shown on the Notice of Award (NoA) Letter after Section III – Institute and/or Center Specific term
- Funds usually are not restricted in the Payment Management System
- Restricted funds must be tracked by grantee to ensure compliance
 - EXAMPLE of Award Restriction: No funds may be expended for equipment without the written prior approval of the NIH awarding component.

Who is Responsible for Post-Award Financial Management?

- A. The Principal Investigator
- B. The Departmental Administrator
- C. The Department Chair
- D. The Institution

Accounting Basics



Accounting

- Requires that:
 - Separate account is established for each project
 - Program Income is identified and accounted for by project
 - Program Income is used in accordance with the appropriate alternative, i.e.,
 - Additive
 - Deductive
 - Combination
 - Matching



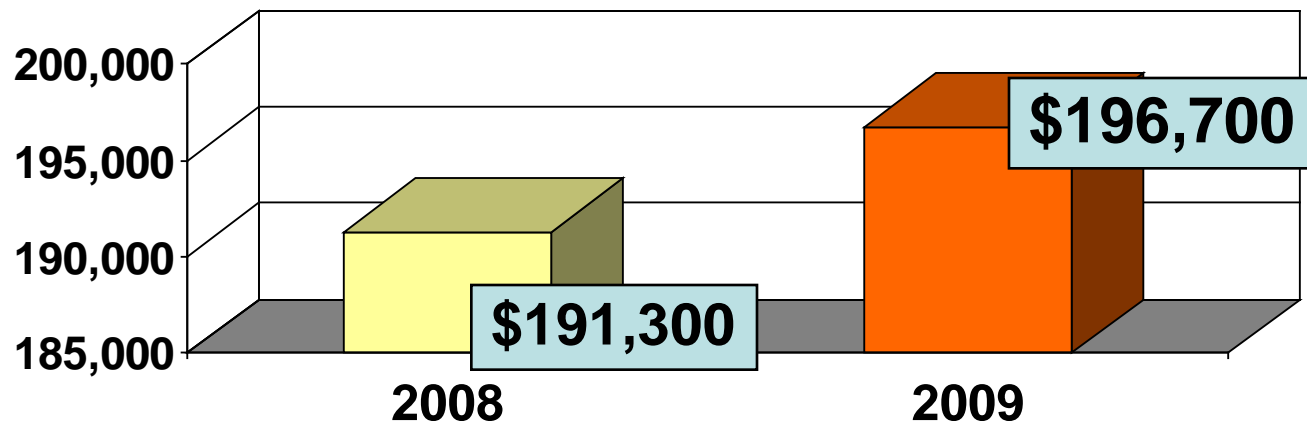
Accounting (cont.)

- Requires that:
 - Expenses are charged in accordance with
 - NoA Terms and Conditions
 - NIH Grants Policy Statement
 - Salary Rate Limitation
 - Cost Accounting Standards
 - OMB Circulars

 - ALL expenses are appropriately documented

Salary Cap

- Restricts the amount of **direct salary** under a grant or contract to Executive Level I of the Federal Executive Pay Scale
- Executive Level I increase effective January 1, 2009



March 10, 2009 NIH Guide Notice (NOT-OD-09-069):

<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-09-069.html>

Monitoring Basics



Monitoring



➤ Requires that:

- Actual expenses are periodically compared with budget
- Actual expenses are accurate, i.e., reasonable, allocable, allowable and consistently charged
- Mischarges are corrected in a timely manner (cost transfers)
- Prior approvals are obtained when required
- **Subrecipient** expenses are monitored – (Grantee's responsibility to monitor expenses)

Budget vs. Actual

- Actual expenses should be compared at least monthly to the budget to ensure:
 - Total funds on the grant have not been exceeded
 - Total funds are used appropriately
 - Total funds for any cost category have not been exceeded if restricted on the NoA



Accurate Charges

- Actual expenses should be reviewed at least monthly to ensure they are accurate and allowable
 - Reasonable (including necessary)
 - Allocable
 - Consistently applied
 - Conforms to any limitations or exclusions (Allowable)



What does “*reasonable*” mean?

A cost may be considered **reasonable** if the nature of the goods or services acquired or applied reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Example – Reasonable?

Dr. Grant needed a specialized microscope for his research supported by an NIH grant from the National Cancer Institute. When deciding on the model that would best suit his needs, he received several price quotes on various models that were all within the same general price range. However, one microscope in particular appealed to him – it met all of the necessary specifications plus many additional features. Although it was about \$3,500 more than the others, he ordered it.

What does “*allocable*” mean?

A cost is **allocable** to a specific grant if it:

- is incurred solely to advance work under the grant;
- benefits both the grant and other work of the institution, in proportions that can be approximated through use of reasonable methods; or
- is necessary to the overall operation of the institution and is deemed to be assignable in part to the grant.

Example – Allocable?

When Dr. Grant's microscope finally arrived, he found that equipment funds for his National Cancer Institute grant were fully expended. Since the microscope was for use on an NIH grant, he decided to charge the cost to another one of his NIH grants that was funded by the National Eye Institute.

What does “*consistently applied*” mean?

Grantees must be ***consistent*** in assigning costs to cost objectives. Although costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, they must be treated ***consistently*** for all work of the organization under similar circumstances, ***regardless of the source of funding***, so as to avoid duplicate charges.

Example – Consistently Applied?

Dr. Grant's lab was running low on office supplies and postage stamps. Since she couldn't wait any longer for her institution to provide the supplies, she purchased them and charged them to her NIH grant account.

What does “*conformance*” or “*allowable*” mean?

A cost is ***allowable*** if it is reasonable, allocable and conforms to the cost principles and the sponsored agreement AND is not prohibited by law, regulation or term of award.

Conformance with limitations and exclusions as contained in the terms and conditions of award including the cost principles—varies by type of activity, type of recipient, and other characteristics of individual awards.

Example – Allowable?

Dr. Grant decided to host a very important Departmental meeting at her home and serve beer and pizza hoping that everyone would attend. The purpose of the meeting was to discuss changes in NIH grants policy, which affected the work of the entire Department. Therefore, she decided to charge the cost of the beer and pizza to her grant, especially since she was providing the use of her home.

Cost Transfers

- Used to correct:
 - Erroneous charges
 - Unreasonable charges
 - Unallocable charges
 - Inconsistently applied charges
 - Unallowable charges
- Must be well documented
- Must be made within **90 days from the time error was discovered**

Selected Items Requiring Prior Approval

Change in scope or objective of a project

Change in Scope is a change in direction, type of training, or other area that constitutes a significant change from the aims, objectives, or purpose of the originally approved project

Change in Scope

Actions likely to be considered a change in scope:

- Change in the specific aims approved at the time of award
- Substitution of one animal model for another
- Any change from the approved use of animals or human subjects
- Shifting research emphasis from one disease area to another
- A clinical hold by FDA under a study involving an IND or an IDE
- Applying a new technology; i.e., changing assays from those approved to a different type of assay
- Transferring the performance of substantive programmatic work to a third party through a consortium agreement, by contract, or any other means

Change in Scope (cont.)

Actions likely to be considered a change in scope:

- Change in Senior/Key personnel named in the NoA
- Significant rebudgeting resulting from a change in scope
- Incurrence of patient care costs not previously approved by NIH
- Rebudgeting funds into or out of the patient care category
- Purchase of a unit of equipment exceeding \$25,000 due to a change in scope

Selected Items Requiring Prior Approval

Change in PI or Senior/Key personnel identified by NIH and specifically named in the Notice of Award (NoA)

- Must **notify** NIH if the PI or other key personnel named in the NoA will:
 - withdraw from the project entirely
 - be absent 3 months or more
 - reduce time devoted to the project by 25% or more

- Must **request** approval of a substitute PI or other Senior/Key personnel named in the NoA

Note: Must notify the awarding office GMO in writing if grantee wishes to terminate the award because it cannot make suitable alternate arrangements

Selected Items Requiring Prior Approval (cont.)

Required for:

- Preaward costs > 90 days prior to the effective date of the initial budget period of a project period for a new or competing continuation award
- Deviation from award terms and conditions
- Activities disapproved or restricted as a condition of the award
- Change of grantee organization

Selected Items Requiring Prior Approval (cont.)

Required for:

- Adding a foreign component
- Rebudgeting into alteration & renovation (A&R) costs that meets the definition of change in scope
- Retention of research grant funds when K-award is made
- Second No-cost extension or extension greater than 12 months
- Transferring of funds from trainee costs (stipends or tuition/fees and health insurance)

Selected Items Requiring Prior Approval (cont.)

➤ CARRYOVER OF UNOBLIGATED FUNDS

- Check Section III of the NoA to determine if the grantee has carryover authority
- If prior approval is required to carryover funds, the following term will appear on the NoA:

“Carryover of an unobligated balance into the next budget period requires Grants Management Officer prior approval.”

Prior Approval Process



- **All requests for NIH awarding office prior approval must be:**
 - made in writing (includes submissions by e-mail)
 - sent to the designated GMO shown on the NoA
 - made no later than 30 days before the proposed change
 - must be signed by the Authorized Organizational Representative

Note: Approval must be obtained from the GMO through a revised NoA or letter



**What authorities do
grantees have?**

No Cost Extensions

Without prior approval, grantees may extend the final budget period of the project period one time up to 12 months if:

- No additional funds are required
- Scope will not change, and
- Any one of the following applies:
 - Additional time beyond the established expiration date is required to ensure adequate completion of the originally approved project
 - Continuity of NIH grant support is required while a competing continuation application is under review
 - The extension is necessary to permit an orderly phase out of a project

Note: having unexpended funds is not an appropriate justification for extending a project

Rebudgeting

- Effective with the NIH GPS (3/01), the prior approval for significant rebudgeting has been eliminated unless it is an indication of a change in scope of the approved project
- Significant rebudgeting occurs when expenditures in a single direct cost budget category deviate (increase or decrease) more than 25% of the total costs awarded.

Rebudgeting

- Grantees may rebudget between direct and F&A costs (in either direction) without NIH prior approval, provided there is no change in scope of the approved project
- According to A-21, rebudgeting between direct and F&A is not allowed to cover increases in negotiated F&A rates

NIH Financial Reporting Basics



Financial Reporting

- Financial Status Report (FSR) must be submitted through eRA Commons
 - **Timely**, i.e., report submission must adhere to the following deadlines:
 - **Non-SNAP** must be submitted within 90 days following the end of each **budget** period
 - **SNAP** must be submitted within 90 days following the end of the **project** period

NOTE: NoA will specify if more frequent or other financial reporting is required

(SNAP – Streamlined Non-competing Award Process)

Financial Reporting

- FSRs should be submitted **accurately**
- Reported expenses and program income must agree with institutional accounting records
- Routine revisions to correct FSRs are not appropriate

See NIH Guide, July 27, 2007, NIH Requiring Mandatory Use of the Electronic Financial Status Report System in the eRA Commons Beginning October 1, 2007 <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-07-078.html>

See NIH Guide, February 22, 2001, FINANCIAL STATUS REPORTS: REMINDER AND INFORMATION ON TIMELINESS AND ACCURACY REQUIREMENTS <http://grants.nih.gov/grants/guide/notice-files/NOT-OD-01-021.html>

Reminder

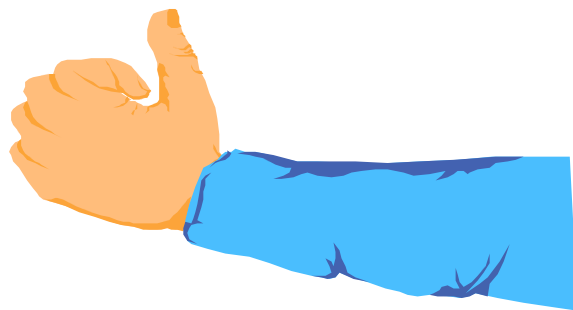
Closeout Final Reports

- Failure to submit timely final reports may affect future funding to the organization
 - Final Financial Status Report (FSR)
 - Final Invention Statement and Certification
 - Final Progress Report

- April 2, 2008, NIH Announces New Centralized Processing Center for Receipt of Grant Closeout Documents and Reminds Grantees of Required Closeout Reports for NIH Assistance Awards
<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-08-061.html>

- June 17, 2005, NIH Announces New Closeout Feature in the eRA Commons and Reminds Grantees of Required Closeout Reports for NIH Assistance Awards
<http://grants2.nih.gov/grants/guide/notice-files/NOT-OD-05-051.html>

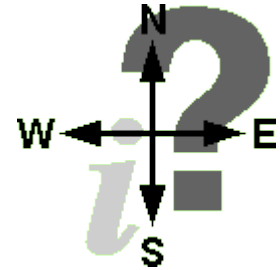
A Rule of Thumb



Whenever you are contemplating **significant** postaward changes and you are uncertain about the need for prior approval, consult in advance with:

- Your Office for Sponsored Research/Projects
- NIH awarding component Grants Management Officer/Specialist identified on the NoA

Questions?



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