

All About Costs

A Post-Award Primer



- NIH Regional Seminar
- Salt Lake City, UT
- March 2007

Discussion Topics

- Cost Principles
- Administrative Standards
- Matching or Cost Sharing
- 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** - Educational Institutions
- **OMB Circular A-122** – Non-Profits
- **OMB Circular A-87** – 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>



OMB Circular A-21/A-122 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** - 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:
- > Preaward requirements
 - > Postaward requirements

Also requirements for:

- Payment
- Matching or Cost sharing
- Accounting for program income
- Revision of budget and program plans
- Non-Federal audits
- Allowable costs
- > 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 | Admin Requirements | Cost Principles | Audit Requirements |
|--------------------------------------|---------------------------|---------------------------------------|--------------------------------|
| State & Local Governments | A-102 (45 CFR Part 92) | A-87 | A-133 |
| Colleges & Universities | A-110 (45 CFR Part 74) | A-21 | |
| Non-Profits | | A-122 | |
| Hospitals | | 45 CFR Part 74, App E | |
| For-Profits | | FAR 31.2 (48 CFR) | |
| Foreign | 45 CFR Part 74 or Part 92 | As stated above for your grantee type | NIH GPS, use 45 CFR Part 74.26 |

Grant Award Basics



Read the Notice of Grant Award

- Special Terms and Conditions
- Other Terms of Award
 - 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
 - Program regulations
 - 42 CFR Part 52 - Grants for Research Projects

Award Restrictions

- Only applied to a particular grant for cause
- Shown on the NGA after Section III
- 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 human embryonic stem cell research until the registered cell line(s) has been reported to the NIH awarding agency program official and grants management contacts noted below.

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
 - NGA Terms and Conditions
 - NIH Grants Policy Statement
 - Salary Rate Limitation
 - Cost Accounting Standards
 - OMB Circulars
- ALL expenses are appropriately documented

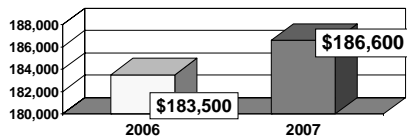


Matching or Cost Sharing

- Matching or Cost sharing must be accounted for
- Cost Sharing is NOT required as a condition of applying for or receiving unsolicited NIH awards
- Matching only applies to a few NIH solicited programs

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, 2007



January 4, 2007 and January 12, 2006 NIH Guide Notices
<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-07-033.html>
<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-06-031.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 - (pass through entity's {Grantee's} responsibility)

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 NGA



Accurate Charges

- Actual expenses should be reviewed at least monthly to ensure they are accurate and
 - Reasonable
 - Allocable
 - Allowable
 - Consistently applied



What does “reasonable” mean?

- A cost may be considered **reasonable** if the nature of the goods or services acquired 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 in order to advance work under the grant;
 - if it benefits both the grant and other work of the institution;
 - if is necessary to the overall operation of the organization;
 - and is deemed assignable, at least 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 “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 or regulation
- 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 his 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, he decided to charge the cost of the beer and pizza to his grant, especially since he was providing the use of his home.

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 he couldn't wait any longer for his institution to provide the supplies, he purchased them and charged them to his NIH grant account.

Cost Transfers

- Used to correct:
 - Erroneous charges
 - Unreasonable charges
 - Unallocable charges
 - Unallowable charges
 - Inconsistently applied 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 key personnel
- 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 key personnel specifically named in the Notice of Grant Award (NGA)

- Must **notify** NIH if the PI or other key personnel named in the NGA 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 key personnel named in the NGA

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 II of the NGA to determine if the grantee has carryover authority
- If prior approval is required to carryover funds, the following term will appear on the NGA:

“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 NGA
- 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 NGA 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) should be submitted through NIH 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: NGA will specify if more frequent or other financial reporting is required

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, 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
- 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

Questions?



Diane Dean
Director
Division of Grants Compliance and Oversight
301-435-0930
dd12a@nih.gov

Kathy Hancock
Assistant Grants Compliance Officer
Division of Grants Compliance and Oversight
301-435-1962
kh47d@nih.gov
