All About Costs: Post-Award Primer

Transcript of recorded session at 2022-2023 NIH Grants Conference

Joel Snyderman: Thank you very much. And everyone, welcome to All About Costs: a Post-Award Primer. My name is Joel Snyderman, I am the Director of the Division of Grants Compliance and Oversight in the Office of Policy for Extramural Research Administration at the National Institutes of Health. And I am joined today by two of my assistant grants compliance officers: Alesia Brody and Corey Taylor. And what we're going to be talking about with you today, we're going through all sorts of administrative cost principle and monitoring, oversight, and compliance requirements, you'll find all of these overall in the Grants Policy Statement between sections six and eight. And of course, the NIH Grants Policy Statement is a incorporated as a term and condition of every NIH grant award, and should be your best friend going forward when you're determining with any of these things, whether or not it's allowable on an NIH grant.

First up, where do all these requirements come from? They come from the OMB regulations in two CFR Part 200, the uniform administrative requirements as we call them, and these establish requirements federal wide. So not just NIH, not just the Department of Health and Human Services, any federal agency you're going to work with will have these same requirements, and that promotes standards across the federal government when you're working with grants cooperative agreements.

Next up, we're going to jump right into the cost principles. These are in subpart E of two CFR 200. And there are different sections of this applicable to, and depending on what kind of organization you're with. And they do apply to all NIH awards, including modular awards and awards under SNAP, the Streamlined Non-competing Award Procedures, except for individual NIH fellowship awards, and there are specific requirements for those in the NIH Grants Policy Statement that you can find under Section 11. In general, and we'll be taking a deeper dive into this, when you think of cost principles, just be mindful of four tests of allowability. To make sure our cost is allowable, you'll have to determine is it reasonable, allocable, consistent, and does it conform to all terms of award and the underlying policies and regulations, including but not limited to, of course, two CFR 200? And like I said, we'll be going into that in more detail in a few slides.

And of course, this is what the cost principles do, is they give you that ability to determine is this cost applicable for grants, contracts, other agreements? When we talk about direct costs, what needs to be charged as F&A, facilities and administrative, also known as indirect costs. And if you're ever unsure about whether or not a cost is allowable, you can find it in two CFR 200 subpart E, like on the prior slide. Also, in the NIH Grants Policy Statement, again, you'll see that in Section 7, and we have a whole subsection 7.9.1 that has select items of cost that are common items specific to research grants that we specifically call out and then call to your attention, so you've got those in one convenient location in the Grants Policy Statement.

Of course, the administrative requirements, this is everything you need to know to make sure that you have appropriate controls in place to safeguard federal funds and ensure that they are being used only for the authorized purposes, which is the stated aims in the Notice of Award. All of these are very important for the purpose of this presentation, just bringing you to specifically in two CFR 200 subpart C, which is the pre-award requirements, and Subpart D, which is all about post award administrative requirements.

And, of course, what do all these mean? Pre and post award requirements really address all those bullets, payments, any instances of matching or cost sharing. How do you account for program income? What happens if you need to make a revision to a budget or program plans, again, those stated aims of award. The requirements for the non-federal single audits, which we'll get into along with allowable costs, and the higher level, what do you need for financial management systems, property management, procurement, and of course, reporting and record retention? And then I'm going to move on quickly to the audit requirements, and then turn it over to my colleagues.

First up, the audit requirements. There is a threshold for where these apply, they're in two CFR 200 subpart F, along with the NIH Grants Policy Statement, Section 8.4.3. Please note, for anyone here who's from a foreign organization, well, two CFR 200 doesn't have the specific requirements. The NIH Grants Policy Statement incorporates for foreign organizations the same requirements as for profit organizations. And finally, to sum things up, I'm going to bring up a handy table and you'll have access to these slides afterward. This shows based on the type of recipient you are, what is the specific regulatory source of these audit requirements, and also, where do you need to submit those audit reports if you've reached that 750,000 expended funds threshold that triggers the requirement to have that audit? And it does vary, the for-profits and foreign organizations have a different requirement. It's the HHS audit resolution division, whereas other types of recipients submit to the Federal Audit Clearinghouse.

And finally, just to sum up, everything I've talked about in one handy slide, along with everything that Alesia and Corey are about to talk about, this slide covers everything. Depending on your recipient type, what are the administrative requirements, and they're all pretty much the same, cost principles, and again, the audit requirements. So that is at a very high level, everything about costs. And now I'm going to turn it over to Corey Taylor to start to walk you through the grant award basics. Corey, I believe you're muted.

Corey Taylor: Got it. My apologies. Section three of the NoA includes the standard terms and conditions of award for NIH grants in cooperative agreements. The section explicitly states that the project which can be found at the top of the NoA is subject either directly or by reference to both two CFR 200, which outlines the OMB rules and requirements that govern the administration of grants as well as the NIH Grants Policy Statement, which outlines policy requirements that serve as the terms and conditions of all NIH Awards. In this section, you will also find the requirements for carryover of funds, if applicable, the System Award for Management, otherwise known as SAM, as well as the treatment of program income. If there are any special terms and conditions specific to a particular grant award, they will be found in section four, which includes both informational and restrictive terms and conditions.

Any specific to IC terms or award restrictions will be included under section four. Restrictions may include prohibiting use of funds for a particular purpose, such as the use of emergency funds for emergency response to COVID-19 or for activities involving human subjects pending the receipt of the IRB approval. NIH can also put a restriction on a grant for various reasons, including if the institution falls behind in reporting requirements. If the NoA includes a restriction, it is your responsibility as the recipient to ensure compliance with the restriction. A restriction may be only lifted by revised Notice of Award signed by the Grants Management Officer. In all, it is critical that you read the NoA carefully, whether you are the PI or the authorized organization official to ensure that you are familiar with both the standard and IC-specific terms of award. Please note that the sub awardees must also follow the terms and conditions and restrictions in NoA. As you know, the NIH only responds to the Notice of Award to the recipient institution.

Accounting basics. Accounting basics. Any specific-- Oops, I'm sorry. We will start with the administrative standards for accounting as mentioned earlier. As mentioned earlier, the administrative standards are found in two CFR 200. They require the grantee establish a separate account for each project, another account under the chart of accounts, that program income is identified and accounted for by project, and that program income is used in accordance with the appropriate alternative. These alternatives include additive, which is the most common, deductive, combination, and matching. Accountings that require expenses are charged in accordance with the NoA terms and conditions, NIH Grants Policy Statement, cost accounting standards, federal regulations. All expenses are appropriately and should be documented at all times. When managing your federal award, you will want to ensure that calls are supported by appropriate source of documentations. This means you'll want to ensure that the documents you have on file are invoices, payroll slips, timesheets and justifications. Monitoring Basics -- I will turn this over to Alesia now.

Alesia Brody: Thanks, Corey. Administrative standards also require the monitoring funds to safeguard assets, ensure that those funds are used solely for the authorized purpose. And of course, the PI is the driving force behind research activity and the supervision of the scientific and technical staff. And in accepting this role, the PI also accepts the financial management responsibility to use grant funds for the purposes that are set forth in the application in the NoA. Recipients must have accounting and internal control systems that provide for appropriate monitoring of grant accounts, to ensure that obligations and expenditures are accurate and allowable. Specifically, institutions must ensure that actual expenses are periodically compared with the budget, that actual expenses are accurate, reasonable, allocable, allowable, and consistently charged, that any discharges are corrected in a timely manner, and that prior approvals are obtained when required, and that the sub recipient expenses are monitored. And it's the recipients responsibility to monitor those expenses. And of course, monitoring activities should include comparing actual expenses to the budget to ensure that total funds on the grant have not been exceeded, that the total funds are used appropriately, and for any cost category that have not been exceeded if restricted on the NoA. And monitoring grant expenditures also helps to ensure that the project will have enough grant funds to cover costs incurred later in the budget period.

Costs are considered allowable if they meet the four tests to determine allowability of a cost: reasonable and necessary, allocable, consistently applied, and conforms to any limitations or exclusions. And more information on this can be found in the NIH Grants Policy Statement chapter 7.2. So, 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 costs was made. And so with prudent person, you want to think about as if you were the one making the purchase using your own personal chapter and ask yourself, is this act reasonable to you? And are the added features necessary?

So what does allocable mean? A cost is allocable as a direct cost to a grant if it is incurred solely in order to advance work under the grant, or it is the criteria for closely related projects determination. In general, a cost that benefits two or more projects or activities in proportions that can be determined without undue effort or cost should be allocated to the project on the basis of the proportional benefit. A cost that benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved may be allocated or transferred to the benefiting projects on any reasonable basis is, is the cost charged or allowable, allocable and reasonable under the cost principles? And the recipients financial management systems includes adequate internal controls. Costs allocable to a particular grant may not be shifted to other grants in order to meet deficiencies caused by cost overruns or to avoid restrictions imposed by terms and conditions.

So what is consistently applied? Recipients must be consistent in assigning cost to cost objectives. The cost may be charged as either direct costs or F&A costs, depending on their identifiable benefit for particular project proposals. And all costs must be treated consistently for all work of the organization under the circumstances, regardless of the source of funding. In other words, costs must be treated consistently for all work of the organization, whether it be supported with federal funds or not. Also, costs must be consistently charged as either direct or indirect costs, but may not be double charged or inconsistently charged as both. It is inappropriate to charge costs and activities directly to a sponsored agreement. If in similar circumstances, the cost of performing the same type of activity for other sponsored agreements for an included as allocable costs in institution's F&A costs fully. Please keep in mind that generally items such as office supplies, postage, local telephone calls, and memberships must be treated as indirect F&A costs. Costs may be considered appropriate if the cost will be used for either a specific research purpose, such as a large mailing or epidemiology study and an unlike circumstance not usually covered as part of the F&A cost. And of course it's always advised that you contact your internal auditor if you have any doubt [INAUDIBLE].

So what does conformance 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 varies by type of activity, type of recipient, and other characteristics of individual awards. Conformance basically means in alignment with any limitations or in the typical cost principles in the end. Always read the NoA for specific terms and conditions of award because there may be a terms and conditions that supersede normal requirements. The cost principle states alcoholic beverages are allowed while the NIH GPS disallows alcohol as entertainment costs, but considers it allowable if it is within the scope of an approved research product. And meals are unallowable unless on a research grant they're provided in conjunction with a meeting whose finalized purpose is to disseminate technical information. In addition, we would expect institution to have a written and enforced policy that ensures costs are consistently applied, whether it is a federal or an non-federal activity, defines a technical meeting and establishes limitation that specifies when they are allowed. And again, on any questions, I would recommend consulting your internal audit department. And also you could look to the NIH GPS on the selected items of costs, which is listed in Section 7.5.1. Now, I'm going to turn it back over to Corey for a couple of case studies to illustrate these four steps. Corey.

Corey Taylor: Thank you, Alesia. Case study number one. 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 for the beer and pizza to his grant, especially since he was providing the use of his home. Is it okay to serve pizza and beer? The four answers to choose from: yes, since it is not the university serving alcohol, it's acceptable. No, since this meeting is not for the purpose of disseminating technical information to the award. Or three, no, only charges for food eaten by the staff working on the grant are allowable. Or four, yes, it is important for staff to get to know each other in an informal environment. You can lock in your answers. Take a moment.

The correct answer, and most of you got it, was number two. It is important to note that generally food is considered an entertainment cost, which is unallowable, and that alcohol is unallowable unless required as part of the actual study. You can find the cost principles that speak to these calls in two CFR 200.423, alcoholic beverages, and 200.438, entertainment costs. Generally, these costs are only allowable if they serve a programmatic purpose and are authorized either in the approved budget of the federal award or with prior written approval of the NIH.

Case study number two to test your knowledge. Dr. Grant needed a specialized microscope for his research supported by 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 $10,000 more than the others, he ordered it. Is the purchase of the most expensive option allowable? And you have four answers to choose from: yes, he needs a new microscope, or no, this is not the only microscope available with the required capability and the additional features are not necessary to complete the aims of the project. So the additional cost is not justifiable. Yes, as long as he uses funds from another award. Or yes, there are funds in the award to get the microscope. And if you can lock in your answers please.

Okay, most of you got it, 88%. Great. So, the correct answer is number two. It may not be considered reasonable, but if the less expensive equipment had all the necessary specifications the PI needed to do the work, if the added features are not necessary for the grant's performance, then the extra costs would not be reasonable. The delay in the project-- if the project was to be delayed by any means, the less expensive model would not have- or if the less expensive model was not available, excuse me, or couldn't be delivered for three months, and the delay would jeopardize work under the project, then the purchase of the more expensive model may be justified. If the department told you that the department funds will provide the additional $10,000, would that be okay to charge the grant for the amount less than the $10,000, and the department funds would be charged the $10,000? That would be a yes. Other considerations to take into account: is it necessary for the performance of the grant? Is the purchase allowed under the terms of the award? Or does it comply with the terms and conditions of the award? Is the purchase consistent with your institutional policies? Be sure your files include sufficient documentation to justify the additional expenditures in the event that the cost and charge is questioned by an auditor. The charge must be reasonable at the time the decision is made to incur that particular cost. Also be sure the purchase is consistent with your institutional policy and is in compliance with the terms and conditions of the federal awards. Now, we'll turn it back over to my colleague Alesia Brody.

Alesia Brody: Thanks, Corey. So for our third case study, when Dr. PI'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 in his NIH grant that was funded by the National Eye Institute. Is the cost of the equipment allocable to the NEI grant? And our four options here are: no, since the microscope will not be used on the NEI grant, nor benefit the NEI grant or even advance work on the grant, it does not meet the test of allocability. Number two, yes the NCI project will contribute to a scientific discovery which will aid NEI's mission. Or yes, the PI on the NCI and NEI award are the same. Or yes, university policy allows grant funds awarded on one grant to be used for another grant.

And it looks like an overwhelming number you got this one right. So wonderful. The case study is emphasizing that equipment will be used on an NCI grant and the cost will be charged to an NEI grant. So since the microscope will not be used on-- so since that the answer is no, and it will not be allowable. So number one. What are some questions you would ask yourself in determining whether the cost is allowable or allocable? Is the cost of the equipment allocable to the NEI grant? Does the cost benefit the NEI grant? Or does the cost advance work under the NEI grant? Since the microscope will not be used on NEI grant nor benefit the NEI grant or even advance work, it does not meet the test of allocability. Therefore, the cost should not be charged to the NEI grant.

And to move on to our final case study of the day, Dr. Scientist's lab was running low on office supplies. Since she couldn't wait any longer for her institution to provide the supplies, she purchased them and charged them to her NIH grant. Is it allowable to charge office supplies as a direct cost to an NIH funded project? So let's look at our options. So, no, office supplies are always indirect costs. Or yes, if office supplies are needed for this project, it's okay. Or I don't know, a PI has never done this before. And finally, yes, this project required particular pens that were approved in the application budget. So please take a few moments to answer. This one is full.

Wonderful. So 56% of you chose number one, which is correct. Office supplies are always indirect costs. Generally, items such as office supplies, postage, global telephone costs and memberships, must normally be treated as indirect F&A costs. However, if such charges are included in the direct cost claim, that would constitute double dipping because a project paying for general office supplies is both a direct and indirect charge. Therefore, these costs are not allowable. With that said, costs may be considered appropriate if the cost will be used for either a specific research purpose such as large mailings, epidemiology studies, we mentioned earlier in the presentation, or an unlike circumstance that's not usually covered as part of the F&A cost. And of course, I recommend again if you contact your internal audit department if you have any questions about the allowability of costs. And now, I'm going to turn it back over to Joel to lead our Q&A session.

Joel Snyderman: Thank you, Alesia. And we can into jump into the question section, and I know we've got a bunch of them plus even more in the chat. I'm not sure I can answer the question, or we can answer the question, of where you guys can find or access your swag bag. But for all the questions related to costs on grants, we can go through some of these. I know there's a couple questions that we got right off the bat on what the salary cap is. While we're going through some other answers, Corey, can you provide, I know NIH just released the 2023 salary cap guidance not that long- the fiscal 2023 salary cap guidance not that long ago. So we can provide the link for that in the chat, and that'll give you not only the specific guidance, it'll also provide a couple examples of how the various calculations work, which should address all of those questions.

Corey Taylor: Yes, I agree.

Joel Snyderman: Thank you. And Alesia, can you address the question? Would you consider computers or laptops allowable? And what kind of expense would that be?

Alesia Brody: Yes, if it can- if they can be at least partly allocated to the project, then that's one thing that can be allowed as a direct-- So I believe we had a slide that spoke specifically to that.

Joel Snyderman: That might have been the all about or the compliance pitfalls one.

Alesia Brody: Oh, okay. Yes. So it may have been the other presentation that we had earlier in the afternoon, but yes, at least in part, if it can be allocated to the project, it can be considered a direct.. .

Joel Snyderman: And then Alesia, can you address, we had one question about escalation in the budget, which generally is something that you should be reaching out to when you're looking at your funding opportunity announcement or notice of funding opportunity, there would be points of contact there and you can reach out to them directly as to whether or not escalation would be allowed in that specific case. And now, there you go. Corey just posted the most recent salary wage guidance with the new salary cap. I believe that's what that is. Next up, Alesia, can you address, we have a question here about, if an investigator has appointments at multiple institutions, how does that factor into effort reporting and personnel information? And should those other institutions be considered at all? And I guess in general- I'm seeing we have five minutes left, but this is a very important one for how do you in general inform when an investigator has other appointments? Where would we expect to see that?

Alesia Brody: We would want- that would need to be outlined in the other support that is submitted as part of just in time prior to the first application, like the first award going out. However, say there is a change on mid-project period, you would want to notify the GMO and include that when you submit your RPPR under other support, where it asks for changes. So you definitely want to make sure that that's included.

Joel Snyderman: Yeah. Then I'm going to quickly jump in on one. There's a question about, is there restriction on flights? And it looks like this person, for example, on flights to the United Kingdom, they've been advised to use non-United Kingdom flights, even if they're cheaper. There is a requirement in the Grants Policy Statementt under section four, the public policy requirements, the Fly America Act. So that might be what you're seeing on that one for any restrictions on what carrier to use. And I'm seeing some comments in the chat about that, which I'm not going to discuss. That's above my pay grade. Next up, Corey, can you discuss, we had a question on-- Where did it just go? I thought I saw it right here. There it is. If funds are not restricted in the payment management service, then how do we handle drawdowns or restrictions?

Corey Taylor: Well, if funds are not restricted, you will go ahead and handle them as any other normal drawdown, as long as your expenditures are in compliance and support the actual programmatic activities that are currently being funded by NIH. So if you're currently in your NoA doesn't have any type of special award conditions tied to those restrictions, then any drawdown should be aligned with those programmatic activities.

Joel Snyderman: And for-- Corey, for anyone who's new to NIH grants, which section of the grant's policy statement again would they find those possible restrictions in?

Corey Taylor: Okay, those particular restrictions would be in--

Joel Snyderman: In section four of the Notice of Award.

Corey Taylor: Yeah. Section four. Yeah.

Joel Snyderman: Wait, did I say the grants policies? My apologies. I meant the-- [CROSSTALK].

Corey Taylor: No, NoA, in Section Four.

Joel Snyderman: That was on me. I realized it after I said that, I apologize. I meant, yeah, that wasn't even true question. In the Notice of Award, where will they find it? I have the Grants Policy Statement on my brain as always.

Corey Taylor: Section four.

Joel Snyderman: Section four. Thank you, Corey.

Corey Taylor: No problem.

Joel Snyderman: My apologies on that one. We are always thinking about the Grants Policy Statement here in the Division of Grants Compliance and Oversight.

Corey Taylor: Yeah, but your NoA, yes, the NoA, everyone should pay attention specifically to your NoA when you get it, regardless if it's revised or if it's the original. And section four of that particular NoA does contain all of the special award conditions that's applicable to that particular funded program.

Joel Snyderman: And I think we have time for two more questions. Alesia, here's a question for you. What is the best timing for submitting carryover? Apparently, this attendee has had issues in the past about timing between when the funds are needed and how long it takes an IC to process those requests.

Alesia Brody: Once you know that you are going to need carryover, it's recommended that you submit the request as soon as possible, once you know that there is a need. Typically, it can take up to 30 days for a carryover to be fully reviewed and processed at the IC. I would recommend reaching out to the Grants Management Officer listed in the NoA, if you have any questions or concerns about the status of a pending carryover, but definitely sooner the better.

Joel Snyderman: And for that, and because we're out of time and you just got that ending guidance in the webinar chat for carryover and all other prior approvals, you can find more guidance on that, because I saw a couple other questions on prior approvals in section 8.1.2 of the NIH Grants Policy Statement. And this time, that's all the questions we can answer. Anything else like on the screen, reach out to grantscompliance@nih.gov. That should be on the slide deck as well that you'll be receiving. And I want to, again, thank Alesia Brody, Corey Taylor, and all of you in the audience for your active participation in all those case studies and all of your questions. Really appreciate all your time, and thank you for spending your afternoon with us learning all about costs.