Alesia Brody: Welcome. And thank you for joining today's presentation, All About Costs. A few logistics before we get started. We encourage you to be engaged and ask questions. To ask a presenter a question, please open the Q and A icon at the bottom of your screen. You may want to open it as well just to see what other questions may have been answered. We'll try to answer as many as possible, either live or in a typed response, but may not get to them all. If you don't get your question answered, please stop by the exhibit hall and talk with our Institute center and program staff available during the seminar via chat or even 20 minute personal appointments. During this session, you are also welcome to use the chat feature, also accessible from the bottom of your screen to share tips, experiences, and information between participants. PowerPoints are currently available for most sessions in advance and a recording of this session will be posted within 48 hours. Both will be available in the same location where you logged into this presentation. Now, I would like to introduce my colleagues and co-presenters for today's session, Philip Smith and Corey Taylor. Today's format includes a short prerecorded presentation followed by Q and A. Let's get started. Good afternoon, everyone. And welcome to, All About Costs. A Post-Award Primer. We are excited to have everyone here with us. My name is Alesia Brody and I am an assistant grants compliance officer in the office of policy for Extramural Research administration at NIH. I am joined today by my colleagues, Corey Taylor and Philip Smith, who will start us off today with an overview of our discussion topics.

Philip Smith: Here are the discussion topics that we'll be going over today. Cost principles, administrative standards, audit requirements, grant award basics, award restrictions, responsibilities, accounting, basics, and monitoring basics. To set the backdrop for our discussion, we'll first cover the federal requirements. As part of HHS, NIH is subject to 45 CFR part 75, this regulation establishes uniform administrative requirements for cost principles and audit requirements for all HHS federal awards. Now, we'll take a moment to talk about cost principles. Here are the references to the cost principles applicable to the different types of institutions. As you'll see, the For-Profit institutions are subject to the cost principles outlined in the Federal Acquisition Regulation and state local governments, Indian tribes, non-profit organizations, hospitals, and institutions of higher education such as the University of Maryland, can be found in 45 CFR part 75. The cost principles apply to all NIH awards, including modular and snap, and awards under snap, except for NIH fellowship awards. The allowable use of funds under those awards is included in the NIH grants policy statement under section 11. When thinking about costs in the context of the cost principles, it's important to always be mindful of the four tests of allowability. Those tests are, reasonableness, allocability, consistency, and conformance. We'll take a deeper dive into these tests a little later in the presentation.

So what are cost principles? In general, the cost principles is established principles for determining cost applicability for grants, contracts, and other agreements. Cost principles define direct costs and indirect costs. In the cost principles, you can find a list of allowable and unallowable costs. If you are questioning the allowability of a particular cost item, you may find it useful to take careful look at the general provisions for selected items of cost section in 45 CFR part 75 subpart E. This covers the allowable and unallowable cost items. Another helpful resource is the NIH grants policy statement, which also includes a section on allowability of costs in section seven. Next, we'll move on to administrative requirements. These requirements address the monitoring of funds to safeguard federal assets and to ensure that federal funds are used solely for the authorized purposes. All administrative requirements are very important, but for the purpose of this presentation, we want to bring to your attention, the two referenced on the slide, the first being the pre-award requirements, which are found in subpart C of 45 CFR part 75 and the post award requirements, which can be found in subpart D.

The pre and post award requirements address topics such as payment, matching or cost sharing, accounting for program income, revision of budget and program plans, Non-Federal audits and allowable costs. Additionally, standards covered in these regulations are financial management system standards, property standards, procurement standards, and reports and records. Now, we'll talk about audit requirements. Listed here, are the different regulations where the audit requirements for the different types of institutions are housed. Please note that foreign organizations will follow the same audit requirements as for profit organizations. When thinking about audit requirements for NIH awards, one key point to note is that all NIH grant recipients that expend $750,000 or more within a year in federal awards are subject to audit requirements. And here for your reference, we've included a summary of the audit requirements by recipient type. The summary also provides information on where to submit your audit reports. And finally, we have also included a summary of federal requirements that we just covered. This table is also organized by recipient type and nicely summarizes the location of the appropriate administrative requirement, cost principles, and audit requirements. Now I'll turn it over to Alesia to go over grant award basics.

Alesia Brody: Grant award basics starts with the notice of award. The official legally binding document that contains important details, requirements, and other helpful pieces of information, including level funds awarded for the current year and committed amounts for future years, budget and project periods start and end dates, names of your program officer and grants management specialists, and the terms and conditions of the award. Section three of the NOA includes the standard terms and conditions of award for NIH grants and 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 45 CFR part 75, which outlines the HHS 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 NIH awards. In this section, you will also find the requirements for carryover of funds, if applicable, the system for award 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 in IC terms or award restrictions will be included in this section, section four.

Restrictions may include prohibiting use of funds for particular purpose, such as the use of emergency funds for the response to COVID-19 or for activities involving human subjects that are pending the receipt of the IRB approval. NIH can also put a restriction on a grant for various other reasons, including if the institution falls behind in reporting requirements. If the NOA includes a restriction, it is your responsibility as a recipient to ensure compliance with the restriction. A restriction may only be lifted by a 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 sub awardees must also follow the terms and restrictions in the NOA and as you know, NIH only sends the notice of award to the recipient institution. So if you are a sub recipient, please make sure to go over the terms and conditions of award with your prime. Now, we will move on to accounting basics.

We will start with administrative standards for accounting. As mentioned earlier, the administrative standards are found in 45 CFR part 75. They require that the grant be established a separate account for each project. The 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. More information about the different program income alternatives can be found in the NIH GPS section 8.3.2.1. The administrative standards found in 45 CFR part 75 also require that expenses are charged in accordance with the NOA terms and conditions, the NIH GPS, and a salary cap or rate limitations, cost accounting standards and federal regulations. And finally, the administrative standards require that all expenses are appropriately documented. If you have ever experienced an audit, then you know, that supporting documentation is key. And this goes double when managing federal awards. When managing your federal award, you will want to ensure that costs are supported by appropriate source documentation. This means, you'll want to have documents like invoices, payroll slips, time sheets, and justifications. Failure to maintain supporting documentation may constitute a material violation of the terms of the award. Now I will turn it over to Corey to cover monitoring basics.

Corey Taylor: Thank you, Alesia. Administrative standards also require the monitoring of funds to safeguard assets and you want to ensure that those funds are used solely for the authorized purposes. Of course, the principal investigator is the driving force behind research activity and supervision of the scientific and technical staff. In accepting this role, the principal investigator also accepts the financial management responsibility to use grant funds for the purposes that are set forth in the application and the notice of award. Recipients must have accounting and internal control systems that provide for appropriate monitoring of grant accounts to ensure obligations and expenditures are accurate and allowable. These systems must be able to identify the following; large unobligated balances, accelerated expenditures, inappropriate cost transfers, and other inappropriate obligations and expenditures of funds. Of course, monitoring activities should include comparing actual expenses to the budget to ensure total funds on the grant have not been exceeded, total funds are used appropriately, total funds for any cause category have not been exceeded if restricted on the notice of award. Monitoring grant expenditures also helps to ensure the project will have enough grant funds to cover costs incurred later in the budget period. Accurate charges. Actual expenses must be reviewed to ensure they are accurate and allowable.

Costs are considered allowable or accurate if they meet these four tests to determine allowability of a cost, and we will present a few case studies later on in the presentation. What does reasonable mean? A cost may be considered reasonable if the nature of goods or services acquired or applied, reflect the action that a prudent person would've taken under the circumstances prevailing at the time the decision to incur the cost was made. Think about the prudent person as if you were the one making the purchase using your own personal checkbook. Is this extra cost reasonable to you? Are the added features necessary? Allocable. A cost is allocable to a specific grant if it is incurred solely in order to advance work under the grant and is deemed assignable, at least in part to the grant. Proportional benefit. Reasonable basis when supported by two or more sources and benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work. 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. Consider this, does that cause benefit? Does the cause advance work on that project? Consistently applied. Recipients must be consistent in assigning costs to costs objectives.

Costs may be charged as either direct costs or indirect costs, better known as FNA, depending on their identifiable benefits to a particular project or program. All costs must be treated consistently for all work of the organization under like circumstances, regardless of the source of funding. Generally, for institutions of higher educations, items such as office supplies, postage, local telephone calls, in-memberships, must be treated as indirect costs. If such charges are included in the direct costs claimed, that will constitute double dipping because the project would be paying for general office supplies as both a direct and indirect costs, therefore, these costs are not allowable. You should consult with your 45 CFR or better yet, contact your internal auditor if there is any doubt about the liability of costs. Costs may be considered appropriate if the costs will be used for the following; a specific research purpose, an unlike circumstance, not usually covered as part of the FNA cost. Costs incurred for the same purpose, to charge costs of activities directly related to a sponsored agreement, if in similar circumstances, the cost of performing the same type of activity for other sponsored agreements were included as allocable costs in the institution's FNA cost pools.

Conformance. 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. Cost incurred by a recipient should be reasonable for the performance of the award, it should be allocable. In conformance with any limitations or exclusions set forth in the federal cost principles applicable to the organization, incurring the cost or in the notice of award as to the type or amount of costs. Consistent with regulations, policies and procedures of the recipient that are applied uniformly to both federally supported in other activities of the organizations. Accorded consistent treatment as a direct or indirect cost determined in accordance with generally accepted accounting principles and not included as a cost in any other federally supported award, unless specifically authorized by statute. The cost principles outline the allowability of various costs, including alcohol, entertainment and meals. Specifically, alcohol is not allowed, entertainment costs are not allowed. However, meals are unallowable unless on a research grant. They are provided in conjunction with a meeting whose primary purpose is to disseminate technical information. In addition, we would expect this institution to have written an enforced policy that ensures costs are consistently applied, whether it is a federal or non-federal activity definitions as a technical meeting and establishes limitations specifies when they are allowed. You are encouraged to check with your internal audit department to see if they consider it allowable. And now, I will turn it back over to my colleague, Alesia Brody.

Alesia Brody: Thank you all for joining us. That is it for the first half of our presentation. We hope to see you at the case study and Q and A session immediately following this segment. Thank you so much. Thank you all for joining us for our case study and Q and A session. We are now going to discuss several case studies where you will have the opportunity to test your knowledge. I am now going to turn it over to Phillip to get us started with our first case study.

Philip Smith: All right. Thank you, Alicia. For the first up here, is the first case study. 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 to 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. Is it okay to serve pizza and beer? On the next slide here, we have some answers or actually the polls popped up. We'll give you a moment to review the different answers and provide us with your feedback. All right. Looks like we have our results in and it looks like a majority of everyone is right on point. The answer to this question is, number two, no. Since the meeting is not for the purpose of disseminating technical information specific to the award, then the costs would not be allowable. It's important to note that generally, food is considered an entertainment cost, which is unallowable, and that alcohol is unallowable, unless it's required as part of the study. You can find the cost principles that speak to these costs in 45 CFR 75 and 0.423 and 75.438. Generally, these costs are unallowable if they serve a programmatic purpose and are authorized either in the approved budget of the federal award or with prior written approval from the HHS awarding agency. Now, I'll give it back to Alesia to go over our second case study.

Alesia Brody: Thanks, Philip. Our second case study, 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 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? Give everyone a few moments to put in their responses to the poll. Okay, great. It looks like an overwhelming percentage of- everyone chose option B, which is the correct answer. No, this is not the only microscope available, so 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. It may be considered reasonable, however, 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 cost would not be reasonable. However, what if the less expensive model was not available 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. What 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 the $10,000 and the department funds would be charged the 10,000? Yes, that would be. And now, I'm going to turn it over to, let's see, it's Corey taking the next one, case study number three, value.

Corey Taylor: Thank you, Alesia. When Dr. Pi's microscope finally arrived, he found that equipment funds for his National Cancer Institute grant was fully extended. Excuse me, excuse me, I'm sorry. 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. Is the cost of the equipment allocable in the eye grant? And you will have four options to choose from. Okay. The tally is in, option, A, no. Says the microscope will not be used on the NEI grant, nor benefit NEI grant or even advance work on the NEI grant, it does not meet the test of allocability. Excuse me. Yeah. The checkbook test. Why is the reasonable test referred to as the checkbook test? One of the key tests for allowability of cost is the test for reasonableness. This is also referred to as the checkbook test. Because it is a question of, will a prudent person would be okay paying that amount of money for that item, with their own money. Think of it this way. For example, would you write a check for something using your personal funds to buy this item, to fulfill the needed purpose? And at this point, I will turn it back over to my colleague, Philip Smith.

Philip Smith: Thank you, Corey. Case study four. Dr. Scientist's lab was running low on office supplies. Since she couldn't wait any longer for her institution to provide supplies, she purchased them and charged them to her NIH grant account. Is it allowable to charge office supplies as a direct cost to the NIH funded project? And again, we have four options for you. We'll give you a moment to provide your answers. All right, great. Looks like we have, again, a majority of people as with all the other previous case studies are correct. The correct answer is A or number one on the slide. No, office supplies are generally, always indirect costs. Are generally indirect costs. Generally, for institutions of higher education, items such as office supplies, postage stamps, local telephone costs, and memberships must normally be treated as indirect costs. If such charges are included in the direct costs, that would be constituted as double dipping, which is not allowable. With that said, however, costs may be considered appropriate as a direct cost, if either they are for a specific research purpose, such as large mailings for an epidemiology study or it's for an unlike circumstance that is not usually covered as part of the FNA cost or the FNA indirect cost pool. Lastly, whenever you have any doubt as to whether a cost is indirect or direct, we always recommend that you contact your office of sponsored research or your internal auditor to ensure that you are correctly charging the cost to a grant. Now, I'll turn it back to Alesia to close us out for this section of the presentation.

Alesia Brody: Thanks, Philip. Before we move to our Q and A portion of the presentation, I just wanted to point out that all of our contact information is included as part of the PowerPoint. So please feel free to reach out to us after the conference if you have any questions that come up later. And now, we will move to the Q and A. So let's see. I will put the- let's see. So the first question looks like it is for Philip. Are pre-work costs that are incurred 90 days prior to the beginning date of the initial budget period of a transfer grant allowable? Philip, could you take that one for us?

Philip Smith: Sure, sure. Great question. It's always one of those nuanced questions that we get that definitely need to be clarified. So the NIH grants policy statement within this prior approval section 8.1.2 addresses this issue. In general, transfers are treated as non-competing awards which are not restricted to the 90 days prior to the beginning of the start date of that budget period, as is maybe the case with your competing awards. With that said, we always recommend that you contact your grants management specialist for your specific award to ensure that you are adhering to any special terms and conditions that may be applied to your specific award. And yep, I think that's pretty much covers it, but again, I think the core answer here is, is that yes, pre-work costs are allowable transfers, they're treated like a non-competing, you get they're not restricted to the 90 days prior to the beginning of the budget period as is the case with a competing award.

Alesia Brody: Thanks for that, Philip. Looks like we have another question here. I'll take this one. Are visa costs allowable on NIH funding grants? NIH allows for visa costs to be charged to a grant when this cost is part of recruiting an individual, as long as the institution has an employee-employer relationship with the individual. Visa costs may also be allowable when identified in specific FOAs or it is considered within the scope of an approved research project. NIH does not provide guidance on or assess the different types of visas, but you can find additional detail on visa costs in NIH GPS section, I believe it's section 7.9, allowability of cost activities. And let's see, it looks like we have another question. Why is the reasonableness test referred to as the checkbook test? Corey, if you could take that one for us, that would be great.

Philip Smith: Corey, I think you're muted.

Corey Taylor: Okay. Thank you, Philip.

Philip Smith: Not a problem.

Corey Taylor: The reason it's called a checkbook test is because NIH awardees have authorization, have been given authorization to expand NIH funds. Those NIH funds must be carefully monitored at all times, therefore, we refer it internally as a checkbook test. Funds must be utilized in order to be allocable, allowable, reasonable and necessary. Those four key elements, you have to take into account, each recipient must take into account when determining whether or not to extend federal funds towards a particular service or a peaceful equipment when providing programs, yeah. When providing programs during the performance period.

Philip Smith: Yeah. I'd like to add on to that. And I think also, it's like when you look at your own checkbook, when you go to write a check, how do you view a cost, if normally, you go to the grocery store, you spend $300 and for that same cart of groceries, it's now $1000 which, would a prudent person write that check for those groceries? And that's kind of how we look at it and that's why we call it the checkbook test and that, you know, would you use your own personal funds to pay for that cost? Yeah. Alesia, sorry. Thanks Cory.

Alesia Brody: No, thanks Cory, thanks Philip. Let's see. Let's go on right on to the next question. I submitted a carry over request to the PO, the Program Officer, and haven't gotten a response. What is the typical turnaround time for a PO response? Philip, if you could take that one, that would be great.

Philip Smith: That's a good question. Thanks for bringing that up. From what it sounds like with your question, you've received or you sent your request to the PO. I think in this case, typically, when submitting a carryover request, you want to send those to the grant management specialist. And if you're the PI that's sending it in, you definitely want to take those requests and have them go through your office of sponsored research, which would be the appropriate entity within your organization, to submit those requests. So, there's multiple ways to submit it. Typically, you could submit it through via email. But you can also submit it through the prior approval module within erie comments. But again, those should typically be submitted through your office of sponsored research, who's really the appropriate entity to be submitting those kinds of requests.

Alesia Brody: Okay. Thanks, Philip. It looks like it's just about 3:40, so I'm going to see another, like, take another question from the chat and then whatever questions we don't get to, we'll try to go through them after the session and get back to people as best we can with those. But again, if you have any questions after the session, please feel free to reach out to any of us or all of us. Okay. Let's see. I see a question here. I'm not going in any particular order. I just, it's sort of where my cursor is. Have a grant where NOA in year one says we have automatic carryover, whereas the year two NOA says we need permission for carryover. Is it normal for that to change year to year? Well, with this question, I would definitely reach out to your grants management officer who's listed in your NOA and just discuss it with them because it may be that the terms and conditions of your award changed, it could be for whatever reason. So you definitely want, that would be the person who would know best. So I would definitely encourage you to reach out to that person and discuss it with them. So I hope that adjusts your question. Let's see. We might have, Philip, do you want to take one more?

Philip Smith: Sure.

Alesia Brody: See if we might have time. Okay. Actually, I found one that's more of a follow up to the question about the PO response. It says, missed the answer about the turnaround time from a PO, did anyone hear that answer?

Philip Smith: Yeah, I might have skipped over that.

Alesia Brody: Would you mind just clarifying that? Okay. Thank you.

Philip Smith: Yeah. It sounded like in the question that we received that the, you know, first off, I think the first misstep there was that, they submitted the request to the PO. It really should be submitted to the grants management specialist. You can copy the Program Officer, and it should be- grants management specialist is the official entity within, you know, NIH that will do the administrative actions needed to either approve or, you know, deny the carryover requests. And it's their responsibility to move it forward. Now, as far as specifically to the turnaround time, that's something you'll need to talk to the awarding IC in regards to that. There's no set standard as far as NIH goes. HIC maybe is different.

Alesia Brody: Thanks Philip for that. And just in closing, I just wanted to thank my colleagues, my co-presenters, as well as all the participants for a very informative session. If you have any additional questions please feel free to visit our exhibit hall. There's staff for chat and one-on-one opportunities, or you could always find contact information in the help section of our grants.nih.gov site. Your feedback is very important, please take a moment to let us know what you thought by clicking on the session feedback button, located with the description and presenters on the auditorium list of sessions. When you are completely done with the seminar, please also complete the overall survey form in the navigation bar at the top of the page. And thanks again for joining us today and have a great day. Thank you all so much, bye-bye.

Corey Taylor: Thank you.