

Managing NIH Projects

Managing NIH Projects

- Building Trust
- Observe project start and end dates for spending
- Meet project targets within budget
- Avoid under spending
- Monitor allowability of expenditures.
- Spend Capital expenditure budgets early
- Make time to prepare reports
- Reports must be complete and accurate and on time.



Government Regulation

OMB Circulars

- Instructions issued by the Office of Management and Budget to the federal agencies
- Guidance documents, not regulation
- Agencies then implement into their own requirements

Uniform Guidance (UG) 2 CFR 200

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Federal Acquisition Regulations (FAR)

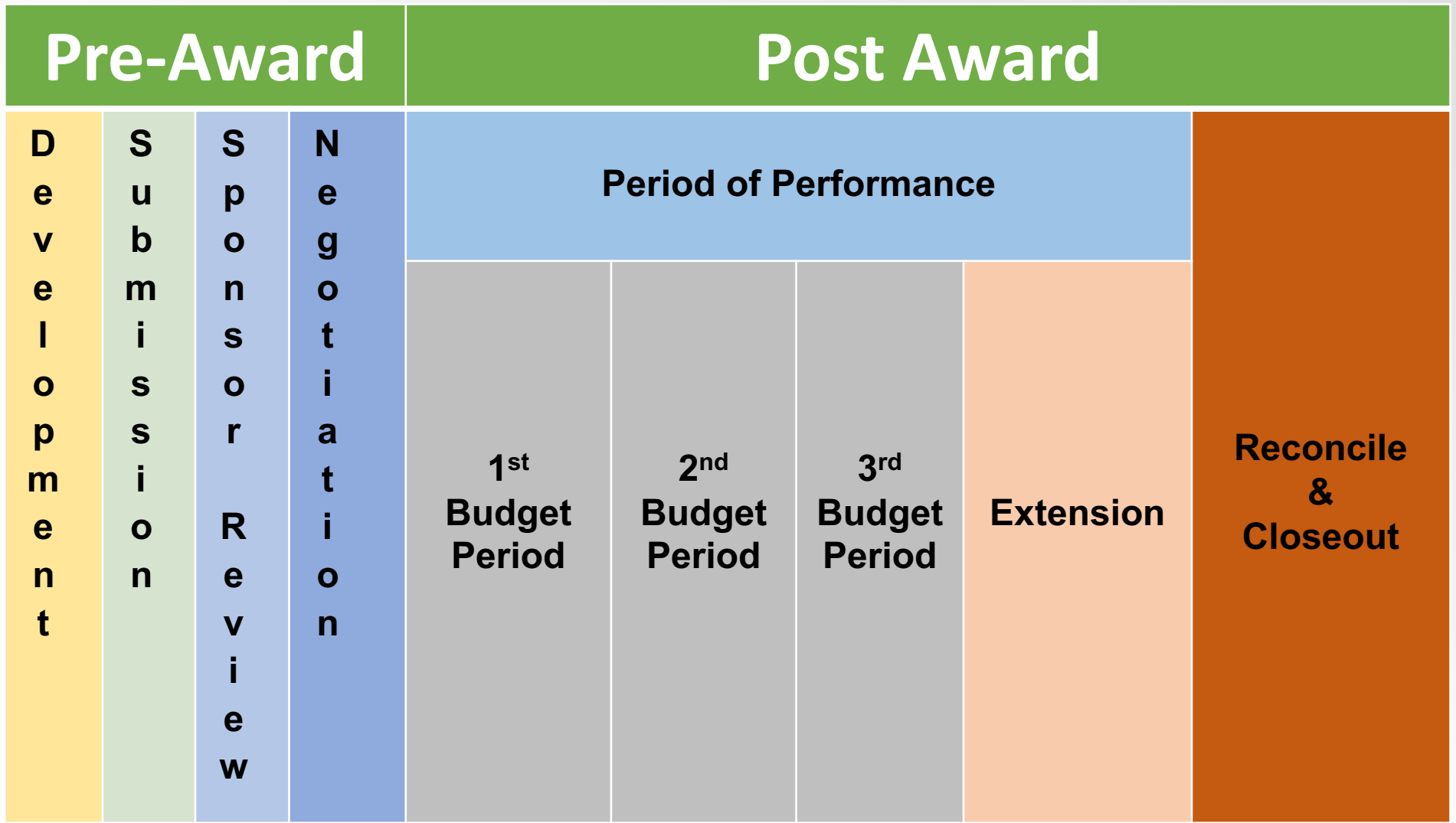
- Statutory authority to issue and maintain resides with Secretary of Defense, Administrator of General Services, and the Administrator of NASA
- Principal set of rules in the Federal Acquisition Regulation System
- Nearly all federal agencies required to comply with FAR

Setting up the Project

- Often the most important step in Award Management
- Once awarded, your management system must be prepared to answer the following questions:



- When does my project end?
- How much money do I have left?
- Do I have enough money to hire another post-doc?
- When is the next increment of funding expected?
- Can you shift funds from salaries to purchase equipment
- What do you mean cost sharing is required?



In award management, we focus on project administration.



Total Project Costs

Direct Costs

(Directly benefit a specific sponsored project)

+

F&A Recovery

(Cannot be attributed to a specific project)

= Total Project Costs



Direct Costs

Direct costs can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity; or can be directly assigned to such activities relatively easily with a high degree of accuracy

- Examples of Direct Costs:
 - Salary of researcher
 - Laboratory supplies purchased for project
 - Technician
 - Associated fringe benefits costs on salaries and wages

Facilities and Administrative (F&A or Indirect) Recovery

Costs that are incurred for common or joint objectives, and, therefore, ***cannot be identified readily and specifically with a particular sponsored project***, an instructional activity, or any other institutional activity

- Examples of F&A Recovery:
 - Salary of department administrator
 - Building utility and maintenance costs
 - President, Provost, CFOs offices and Sponsored Research offices

What Is An “Allowable” Cost?

Before a cost can be defined as allowable, four additional cost principles need to be applied. The cost must be:

- **Reasonable:** A prudent business person would have purchased this item and paid this price.
- **Allocable:** It can be assigned to the activity on some reasonable basis.
- **Consistently Treated:** Like costs must be treated the same in like circumstances, as either direct or F&A costs.
- **Conform to:** OMB A-21/Uniform Guidance or the Sponsored Agreement.

Cost must meet all four standards to be considered allowable!

What Does “Reasonable” Mean?

A cost is reasonable if ...
The nature of the good or service and the amount involved reflect the action of a prudent person.

- Considerations in determining reasonableness:
 - Necessary for the performance of the sponsored agreement;
 - Determined by arm’s length bargaining of a prudent person;
 - In accordance with the sponsored agreement terms and conditions;
 - Consistent with established institutional policies and practices

UNALLOWABLE COST

Costs that are not eligible for reimbursement by Federal sponsor (i.e., unallowable costs) may still be permissible charges against department or institution funds, e.g., wine at a reception to entertain potential donors

Care should be taken to specifically categorize such costs (usually by specific object code or expenditure type) so that, while still reimbursed by the institution, such costs will not be passed on to the Federal government through the F&A rate



Examples of Unallowable Activities (*Direct or Indirect*)

- Organized fund raising
- Lobbying
- Commencement and convocation
- General public relations and alumni activities
- Student activities
- Student housing
- Campus bookstore
- Athletics
- Prosecuting claims against the federal government
- Managing investments solely to enhance income

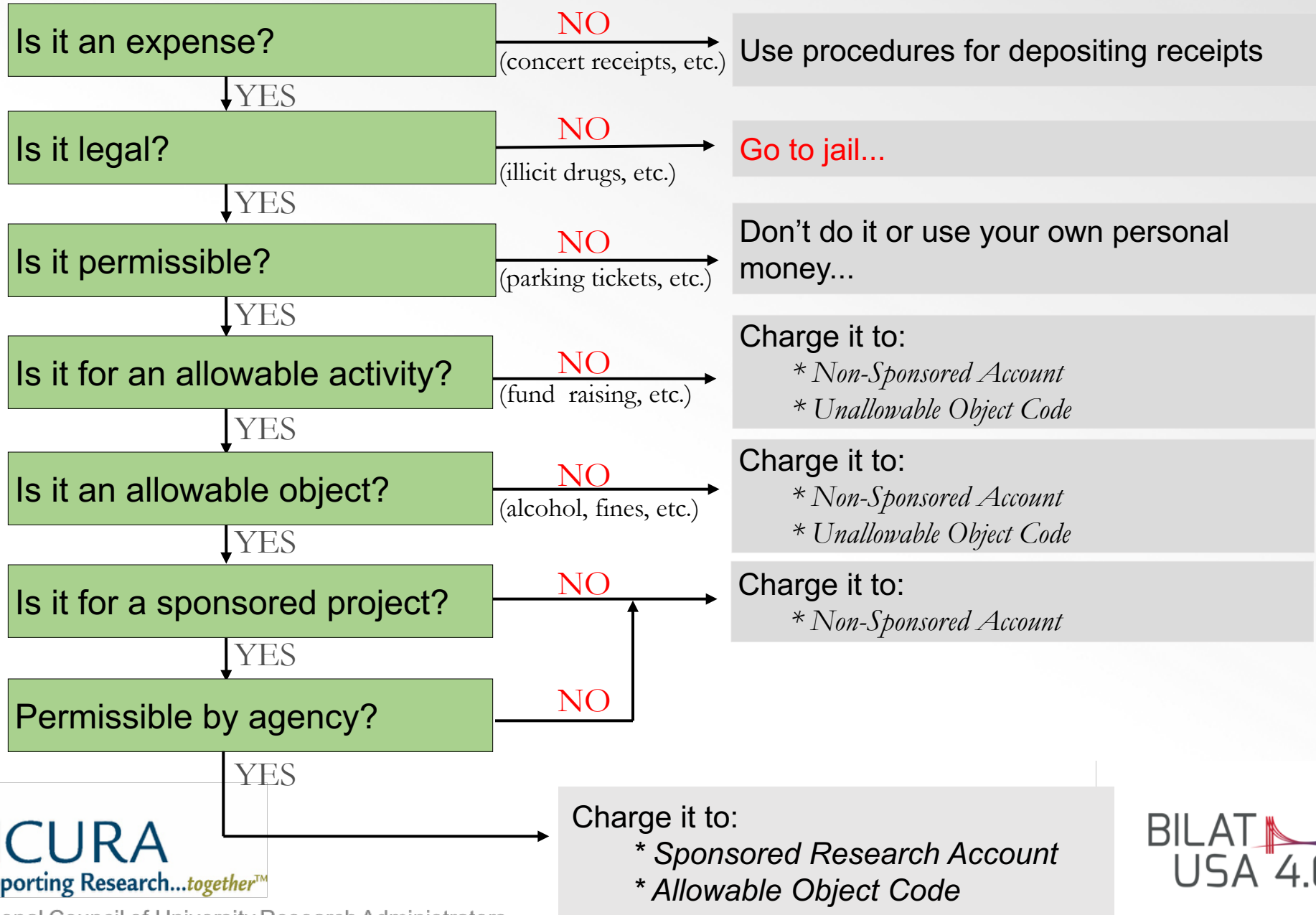
Can these be essential institutional activities? **YES!**

Can your institution pay for them? **YES!**

Can you charge these activities to the Federal Government? **NO!**



Classifying Costs Correctly



ALLOCABILITY

A cost can be allocable as a direct or an indirect cost

- A cost is allocable as a direct cost if the goods or services provided are assignable in accordance with the relative benefits received....
- It is incurred solely to advance the work under the sponsored agreement
- It benefits both the work under the sponsored agreement and other work of the institution in proportions that can be approximated

Allocate costs based on benefit to projects



ALLOCATING DIRECT COSTS

Proportional benefit

- Cost benefits two or more projects in proportions that can be determined without undue effort or cost

Any reasonable basis

- Proportional benefit between projects cannot be determined because of the interrelationship of the work involved; allocate costs between projects on any reasonable basis



COST ALLOCABILITY EXAMPLES

Salary of research technician

- Allocable as direct cost, not as F&A

Salary of administrative assistant

- Allocable as F&A, not normally allocable as direct charge to a sponsored project (unless integral per UG and documented as such)

Proposal preparation costs

- Not allocable as direct charge to sponsored award, allocable as F&A



Others?



Effort Certification / Payroll Verification – What is it?

What is Effort?

- Effort vs. payroll charges
- Proposed vs. actual effort

Who can Certify?

- Effort reports will be certified by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.
- What is “suitable means of verification”



Effort Certification

Why Should We Care?

- Recent settlements
- Office of Inspector General reports

Complicated Effort Reporting Areas

- NIH K-Awards
- VA appointments
- Clinical practice payments
- NIH salary cap
- Cost shared effort



Facilities and Administrative Recovery

Real costs incurred by the institution

Cannot be easily identified to a specific project or activity

Infrastructure costs to maintain a research university

Calculated as a % of a Base

Made up of both “Facilities” and “Administrative” costs



Calculating the F&A with Different Bases

Example: Modified Total Direct Cost Base (MTDC)

Salaries	\$100,000
Benefits	25,000
Equipment	10,000
Supplies	2,000
Subcontract (single)	40,000
Other	<u>5,000</u>
Total Direct Costs	\$182,000
F&A @ 50%	<u>78,500</u>
Total	<u>\$260,500</u>

MTDC Base* $50\% \times (\$182,000 - 10,000 - 15,000) = \$78,500$

*Exclusions: equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and portion of each subaward in excess of \$25,000.