All About Costs
A Post-Award Primer

Division of Grants Compliance and Oversight
Office of Policy for Extramural Research Administration, OER
National Institutes of Health, DHHS

NIH Virtual Seminar – November 2021

Philip Smith, Assistant Grants Compliance Officer
Alesia Brody, Assistant Grants Compliance Officer
Corey Taylor, Assistant Grants Compliance Officer
Discussion Topics

- Cost Principles
- Administrative Standards
- Audit Requirements
- Grant Award Basics
- Award Restrictions
- Responsibilities
- Accounting Basics
- Monitoring Basics
• 45 CFR Part 75 – Public Welfare, Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards
  o http://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75&rgn=div5
Cost Principles:

- 45 CFR Part 75, Subpart E (§ 75.400- § 75.477)
  - Institutions of Higher Education (IHE), State, Local Governments and Indian Tribes, and Non-profit Organizations

- 45 CFR Part 75, Appendix IX
  - Hospitals

- 48 CFR Subpart 31.2 (Federal Acquisition Regulation):
  - For-Profit Institutions
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
  - Compensation for personal services
• 45 CFR Part 75, Subpart C – Preaward Federal Award Requirements and Contents of Federal Awards (§ 75.200- § 75.218)

• 45 CFR Part 75, Subpart D – Post Federal Award Requirements (§ 75.300- § 75.391)
Prescribes:

- Preaward 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

- Financial management systems standards
- Property standards
- Procurement standards
- Reports and records
Audit Requirements

• **45 CFR 75.501:** Institutions of Higher Education, States and Local Governments, and Non-Profit Organizations, including Non-Profit Hospitals

• **45 CFR 75.501(h) through (k):** For-Profits Organizations, including For-Profit Hospitals

• **NIH Grants Policy Statement:** Foreign Organizations must follow the same requirements as For-Profit Organizations
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<td>Institutions of Higher Education</td>
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## Summary of Federal Requirement References

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<td>Institutions of Higher Education</td>
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<td>AND</td>
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<td>45 CFR Part 75, Subpart F at §75.501 (h)-(k) and §75.216</td>
<td>Also applicable to for-profit Hospitals</td>
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<td>45 CFR Part 75, Subpart D – Post Federal Award Requirements §75.300-§75.391</td>
<td>FAR 31.2 (48 CFR Subpart 31.2)</td>
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<td>Same as above depending on type of institution</td>
<td>Per NIH GPS use 45 CFR Part 75.501 (h)-(k)</td>
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Grant Award Basics

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

CENTER GRANT

Department of Health and Human Services
National Institutes Of Health

Issue Date: 05/01/2018
Read the Notice of Award

• **Terms of Award – Section III**
  - 45 CFR Part 75 – HHS rules and requirements that govern the administration of grants
  - NIH Grants Policy Statement (GPS) – policy requirements that serve as the terms and conditions of NIH awards

• **Special Terms and Conditions – Section IV**
Award Restrictions (Section IV)

- Only applied to a particular grant
- Shown on the Notice of Award (NoA) after Section III – Institute and/or Center specific terms of award
- Funds usually are not restricted in the Payment Management System
- Restricted funds must be tracked by recipient to ensure compliance
  
  - EXAMPLE of Award Restriction: Funds may not be used to purchase equipment without the written prior approval of the NIH awarding component.
Accounting Basics
• Administrative Standards in 45 CFR 75 requires:
  o Separate account is established for each project
  o Program Income is identified and accounted for by project
  o Program Income is used in accordance with the appropriate alternative, i.e.,
    • Additive
    • Deductive
    • Combination
    • Matching
• Requires that:

  ○ Expenses are charged in accordance with:
    • NoA Terms and Conditions
    • NIH Grants Policy Statement
      ▪ Including addenda in effect as of the beginning date of the budget period
    • Salary Cap / Rate Limitation
    • Cost Accounting Standards
    • Federal regulations

  ○ All expenses are appropriately documented
Monitoring Basics
Monitoring

• **Institutions must ensure:**
  - 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 – (Recipient’s responsibility to monitor expenses)
• Actual expenses must be compared to the budget to ensure:
  
  o Total funds on the grant have not been exceeded
  o Total funds are used appropriately
  o Total funds for any cost category have not been exceeded if restricted on the NoA
Accurate Charges

• Actual expenses must be reviewed to ensure they are accurate and allowable
  
  o Reasonable and necessary
  o Allocable
  o Consistently applied
  o Conforms to any limitations or exclusions
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.
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 and is deemed assignable, at least in part, to the grant.
Recipients must be consistent in assigning costs to cost objectives.

Costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit 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.
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.
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.

Is it ok to serve pizza and beer?
Test Your Knowledge

1. Yes, since it is not at the University serving alcohol is acceptable.
2. No, since this meeting is not for the purpose of disseminating technical information specific to the award.
3. No, only charges for food eaten by the staff working on the grant are allowable.
4. Yes, it is important for staff to get to know each other in an informal environment.
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 $10,000 more than the others, he ordered it.

Is the purchase of the most expensive option allowable?
Test Your Knowledge

1. Yes, he needs a new microscope.
2. 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.
3. Yes, as long as he uses funds from another award.
4. Yes, there are funds in the award to get a microscope.
Case Study 3

• 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 of his NIH grants that was funded by the National Eye Institute.

• Is the cost of the equipment allocable to the NEI grant?
1. No, since the microscope will not be used on the NEI grant, nor benefit the NEI grant or even advance work on the NEI grant, it does not meet the test of allocability.

2. Yes, the NCI project will contribute to a scientific discovery which will aid NEI’s mission.

3. Yes, the PI on the NCI and NEI award are the same.

4. Yes, university policy allows grant funds awarded on one grant to be used for another grant.
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 account.

Is it allowable to charge office supplies as a direct cost to an NIH-funded project?
1. No, office supplies are always indirect costs.

2. Yes, if office supplies are needed for this project it’s ok

3. I don’t know, a PI has never done this before

4. Yes, this project requires particular pens that were approved in the application budget.
Questions?

Philip Smith, Assistant Grants Compliance Officer
philip.smith2@nih.gov

Alesia Brody, Assistant Grants Compliance Officer
alesia.brody@nih.gov

Corey Taylor, Assistant Grants Compliance Officer
corey.taylor2@nih.gov

For general compliance related questions
GrantsCompliance@nih.gov