
All About Costs: A Post-Award Primer

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Discussion Topics

- Cost Principles
- Administrative Standards
- Audit Requirements
- Grant Award Basics
- Award Restrictions
- Responsibilities
- Accounting Basics
- Monitoring Basics



FEDERAL REQUIREMENTS



National Institutes of Health
Office of Extramural Research

OMB Regulations

- 2 CFR Part 200 –Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
 - <https://www.ecfr.gov/current/title-2/part-200>

Cost Principles

- [2 CFR Part 200 Subpart E](#)— Cost Principles (§ 200.400 - § 200.476)
 - General Provisions
 - Institutions of Higher Education (IHE), State, Local Governments and Indian Tribes, and Non-profit Organizations
 - [Appendix VIII](#)—Nonprofit organizations exempted from Subpart E
 - [Appendix IX](#)
 - Hospitals

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

Administrative Requirements

- [2 CFR Part 200, Subpart C](#) – Preaward Federal Award Requirements and Contents of Federal Awards (§ 200.200 - § 200.216)
- [2 CFR Part 200, Subpart D](#) – Post Federal Award Requirements (§ 200.300- § 200.346)

Administrative Requirements – *Cont.*

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

Audit Requirements

- [2 CFR Part 200 Subpart F](#) – Audit Requirements (§200.500 – §200.521)
- [NIH Grants Policy Statement Section 8.4.3](#): Foreign Organizations must follow the same requirements as For-Profit Organizations

Summary of Audit Requirements

Recipient Type	Source of Audit Requirement	Where to Submit Audit Reports
State & Local Governments	2 CFR 200.501	Federal Audit Clearinghouse (See contact information in NIH GPS 20.2)
Colleges & Universities (IHEs)	2 CFR 200.501	Federal Audit Clearinghouse (See contact information in NIH GPS 20.2)
Non-Profits	2 CFR 200.501	Federal Audit Clearinghouse (See contact information in NIH GPS 20.2)
Hospitals	2 CFR 200.501	Federal Audit Clearinghouse (See contact information in NIH GPS 20.2)
For-Profits	2 CFR 200.501	Audit Resolution Division (See contact information in NIH GPS 20.2)
Foreign Organizations	NIH Grants Policy Statement (same as For-Profits)	Audit Resolution Division (See contact information in NIH GPS 20.2)

Summary of Federal Requirement References

Recipient Type	Administrative Requirements	Cost Principles	Audit Requirements
State & Local Governments and Indian Tribes	2 CFR Part 200, Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards §200.200-§200.216 AND 2 CFR Part 200, Subpart D – Post Federal Award Requirements §200.300-§200.346	2 CFR Part 200, Subpart E	2 CFR Part 200, Subpart F §200.500-200.521 Also applicable to non-profit Hospitals
Institutions of Higher Education		2 CFR Part 200, Subpart E	
Non-Profits		2 CFR Part 200, Subpart E Appendix VIII—exempted from Subpart E	
Hospitals		2 CFR Part 200, Appendix IX	2 CFR Part 200.500-200.521
For-Profits		2 CFR Part 200, Subpart E	Also applicable to for-profit Hospitals
Foreign Organizations		Same as above depending on type of institution	2 CFR Part 200, Subpart F



GRANT AWARD BASICS



National Institutes of Health
Office of Extramural Research

Read the Notice of Award

- Terms of Award – Section III
 - [2 CFR Part 200](#) – 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 applies to a specific grant
- Institute and/or Center specific terms of award
- Usually, funds 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

Accounting

- Administrative Standards in [2 CFR Part 200](#) requires:
 - 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
 - Additive
 - Deductive
 - Combination
 - Matching

Accounting (cont.)

- 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



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Office of Extramural Research

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)

Budget vs. Actual

- Actual expenses must be compared 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 NoA

Accurate Charges

- Actual expenses must be reviewed to ensure they are accurate and allowable
 - Reasonable and necessary
 - Allocable
 - Consistently applied
 - Conforms to any limitations or exclusions

See NIHGPS, Section [7.2 The Cost Principles](#)

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.

What does “*consistently applied*” mean?

- 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*.

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.



CASE STUDIES



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Case Study 1

- 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 – Case Study 1

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.

Case Study 2

- 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 – Case Study 2

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?

Test Your Knowledge – Case Study 3

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.

Case Study 4

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?

Test Your Knowledge – Case Study 4

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?

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