Human Research Seminar Series:

Sponsored Research: Budget Preparation and Post Award Financial Management

Thursday, November 15, 2012

Presented by:
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Director Process Improvement and Compliance
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Goals & Objectives

- Guidance on “Preparing a Sponsored Research Budget” as the model for all Grants and Contracts
- Direction on where to obtain more information
- Highlight common mistakes
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11/15/2012

Agenda

- Distinctions
- General Workflow
- General Overview
- Budget Types
- Common Mistakes
- Indirect Cost Computation Guidance
- Solutions to Mistakes
- Post Award Regulations
- Where to get more information
- Key Contact Information

Distinctions

- At Einstein
  - All Federal Research
  - Foundations (not clinical care)
- Not at Einstein
  - Industry Clinical Trials
  - Federal Service Grants / Contracts (HRSA)
  - Foundation Grants (clinical Care)/ Contracts
General Workflow

Department Prepares Proposal via Cayuse

Office of Grant Support reviews and approves Proposal

Research Finance reviews and approves Budget

Associate Dean for Finance and Administration reviews and approves Proposal

Submission to Sponsor by Department

Proposals with MMC personnel need to include “MMC ORSP” on the Cayuse routing chain for verification of salaries

General Overview

• Always check that you are following the correct procedures for the competition to which you are applying.
• As a general guide, download and/or Bookmark - SF424 (R&R) Application and Electronic Submission Information
  • http://grants.nih.gov/grants/funding/424/index.htm
• **Important tip:** When preparing and submitting a budget, remember that all sponsored research budget guidelines refer to **direct costs only.** Indirect costs are handled separately and do not count toward the cost limits.
Modular Budget

- Modular budgets are applicable to certain research grant applications requesting $250K or less per year for direct costs.
  > Note: Consortium / contractual F&A costs are not factored into the direct cost limit. They may be requested in addition to the $250K limit.

- Modular budgets are simplified; therefore, detailed categorical information is not to be submitted with the application.
  > Note: Einstein requires all sponsored research proposal to include detailed budgets for monitoring purposes.
Detailed Budget

- The basic categories of a sponsored research proposal budget are as follows:
  - Salaries and wages
  - Fringe benefits (where applicable)
  - Equipment
  - Travel
  - Other direct costs:
    - Materials and supplies
    - Publication/documentation/dissemination costs
    - Consultant services
    - Computer services
    - Subcontracts or subawards
    - Other direct costs
  - Indirect costs (facilities and administrative costs; overhead)
  - Cost sharing

Common Mistakes - Personnel

- Common mistakes are usually made in the personnel category:
  - Incorrect current Institutional Base Salary (often occurs with other departmental personnel).
    - Institutional Base Salary (IBS) = current salary + proration on annual increments expected by project start date.
  - Unjustified increases far above what is budgeted for their salary recovery -- For subsequent proposal years (often referred to as "out-years"), we assume a 2% for Einstein (Montefiore might be different and the increase doesn’t apply with salaries in excess of the cap (FY12 awards issued $179,700)
Common Mistakes – Subcontract F&A and Fringe

- Subcontract calculations are incorrect – Subcontract only receive indirect on the 1st $25K per project period

<table>
<thead>
<tr>
<th>Year</th>
<th>Subcontract</th>
<th>F&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20,000</td>
<td>(20,000 * .67) = 13,400</td>
</tr>
<tr>
<td>2</td>
<td>20,000</td>
<td>(5,000 * .67) = 3,350</td>
</tr>
<tr>
<td>3</td>
<td>20,000</td>
<td>0.00</td>
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<tr>
<td>4</td>
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</tr>
<tr>
<td>5</td>
<td>20,000</td>
<td>0.00</td>
</tr>
</tbody>
</table>

- Use Yeshiva’s federal fringe rate - currently 32%
  > The rate is updated annually

Advisory on Indirect Cost Computation

- Indirect Cost is also known as Facilities & Administration (F&A)
- Most federal grants require Modified Total Direct Cost (MTDC)
  > Step 1 Take your Total Direct Cost and minus the following:
    - Equipment
    - Patient care
    - Sub-contracts funding in excess of $25K
    - Tuition
      - Resulting Number is known as your MTDC
  > Step 2 Take the resulting number from Step 1 (MTDC) and multiply by the F&A rate (currently 67%)
    - Resulting Number is your F&A
- Other grants or contracts are simply Total Direct Cost
  > Total Direct * F&A rate = F&A
Advisory on Indirect Cost Computation

Indirect Cost Computation Example

<table>
<thead>
<tr>
<th>Category</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Cost</td>
<td>$800,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>$100,000</td>
</tr>
<tr>
<td>Patient Care</td>
<td>$120,000</td>
</tr>
<tr>
<td>Tuition</td>
<td>$0</td>
</tr>
<tr>
<td>MTDC</td>
<td>$580,000</td>
</tr>
<tr>
<td>F&amp;A</td>
<td>$388,600</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$1,188,600</td>
</tr>
</tbody>
</table>

Direct Cost $800K minus $220K = $580K as MTDC

$580K as MTDC * .67 (F&A rate) = $388,600 as F&A

Grant Life Cycle

Pre-Award

Post-Award
Post Award Regulations
Expanded Authority

- Yeshiva University is under expanded authority unless stated otherwise in the Notice of Grant Award, which all grants the following:
  > 25% of any budget year to be re-budgeted without having to contact them
  > Carry over of 25% of your budget from one year to the next without having to contact them
Post Award Regulations
Subsequent Funding or changes in funding

- Funding for additional years for Federal Grants and Contracts are contingent upon Progress Report submissions
  - Must indicate if anticipated budget year balance is **over or under 25%** of budget period awarded funds
  - Einstein requires submission for subsequent years through Cayuse
- Re-budgeting
  - Internal approval is required if equipment is involved
  - Sponsor approval is required if:
    - Grant or Contract is not under expanded authority
    - There is a change in scope of the research

Post Award Regulations
Billing

- Letter of Credit (LOC) – draw down cash as expenditures are recorded for federal grants
- Cost Reimbursable – bill the sponsor invoices. The invoice is a summary of expenditures incurred by Yeshiva
- Fixed – Milestones based as noted in the contract/agreement.
  - Scheduled payments
  - Service accomplishments
- All Billing a Department does should be copied to Research Finance’s attention
Post Award Regulations
Expenditures

• Regulations on what we can and can’t charge Sponsored Programs can be obtained via Policies and Procedures, including 2.1A– Direct Cost Guidelines for Sponsored Projects – guidance on allowable vs. unallowable

• Inter-charge between Einstein and Montefiore
  > All expenses should go through the Einstein methods (procurement services)
    • Exception methods for personnel charges and patient care
      – Procedure:
        » PO is established with the budget data on the proposal, contact Joseph D’Errico Staff Accountant Phone: 718.430.2573 / Fax: 718.430.8675.
        » Invoice should be directed to Joseph. Payment made to Montefiore via Einstein Accounts Payable.

Post Award Regulations
Time & Effort

• A condition to receiving federal funding, Albert Einstein College of Medicine of Yeshiva University is required to maintain and certify the percentage of time that employees devote to federally funded sponsored projects
• Adherence to this procedure is necessary to prevent cost disallowances and penalties by the federal government and other sponsoring agencies
• Faculty/PIs are responsible for signing their own Effort Reports
• Non faculty must be certified by the individual or someone with ‘direct knowledge’ of 100% of the individual’s effort profile or suitable means of verification of the work performed
Where to Get More Information

- **Office of Grant Support**
  - Cayuse Links and Guides
  - Regina Janicki, OGS eRA Coordinator
    Regina.janicki@einstein.yu.edu, or 718-430-3642)

- **Department of Finance**
  - Policies and Procedures, including 2.1A– Direct Cost Guidelines for Sponsored Projects

- **NIH**
  - NIH Grants Policy Statement (10/12)
  - Grants Process Overview
  - Glossary of Terms
  - Frequently Asked Questions
  - Stipend Schedule
  - Salary Cap

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Key Contact Information

- For questions regarding the Proposal Budget process please contact:
  > **Robert Ness** – Manager – Application & Early Awards
    * eMail: Robert.Ness@einstein.yu.edu
    * Phone: 718-430-3712 / Fax: 718-430-8675
  > **Suzanne Locke** - Director Process Improvement & Compliance
    * eMail: Suzanne.Locke@einstein.yu.edu
    * Phone: 718-430-2688 / Fax: 718-430-8747
  > **Elliot Feder** – Asst. Director of Finance
    * eMail: Elliot.Feder@einstein.yu.edu
    * Phone: 718-430-2205 / Fax: 718-430-8675
1. Preparing an NIH Proposal Budget

1.1. The following is general guidance for most NIH proposals. Some NIH programs and Funding Opportunity Announcements (FOAs) may have different requirements and conditions that supersede the information presented here, so be sure to check that you are following the correct procedures for the competition to which you are applying.

1.2. **Important tip:** When preparing and submitting an NIH budget, remember that all NIH budget guidelines refer to **direct costs only.** Indirect costs are handled separately and do not count toward the cost limits.

2. Step 1

2.1. The first step in preparing an NIH proposal budget is to determine whether to use a **modular budget** or a **detailed budget** format. Most institutes and centers (except AHRQ, the Agency for Healthcare Research and Quality, which does not use modular budgets) allow the use of either a modular budget or a detailed budget for the most common types of application, depending on a number of factors.

2.2. If you are applying for $250,000 or less in **direct costs** (i.e., not including F&A or indirect costs, but including consortium F&A costs) in each year of your project, and are applying through an R01, R03, R15, R21, or R34 mechanism, then you can generally use a modular budget. Otherwise, you should use the detailed budget format.

3. Modular Budgets

3.1. Modular budgets are simplified, and do not require submission of detailed budget information to NIH. Funds are requested in increments of $25,000, called "modules," with the expectation being that the same number of modules will normally be requested in each year of the project. To prepare a modular budget, total up all of the direct costs for each year of your project and add them up. (Be sure to include expected annual increases in costs such as salaries, fringe benefits, travel, and materials and supplies.) Take the total amount and round up to the next multiple of $25,000. That is your modular budget amount.

3.2. **Additional Narrative Justification** is required if you modify the project budgets.

3.2.1. For example, suppose you are working on a three-year project. Your detailed working budget has direct costs of $42,715 in the first year, $43,569 in the second year, and $45,312 in the third. Your total project cost would be $131,596, so you would round up to the next multiple of $25,000, which is $150,000 (which breaks down to two modules or $50,000 in direct costs each year).

3.2.2. While NIH normally expects to see the same number of modules requested in each year of the project, there are exceptions. For example, you might need to buy a piece of equipment in the first year to carry out some or all of the proposed research. Or your project might involve a collaboration in its early (or later) phases, whereas your lab will do
all of the rest of the work. Or you may need to conduct animal studies at the end of the project, which will add costs not needed during the earlier years. In such situations, you modify the project budgets in the affected years of your proposal by adding or subtracting the appropriate number of modules to accommodate the change. You will also then need to prepare an Additional Narrative Justification to explain the difference in the number of modules requested.

4. Detailed Budget

4.1. Detailed budgets are actually somewhat simpler to prepare. Tally up the costs of your project in each year, include expected annual increases, and that’s what goes in the proposal to NIH.

4.2. Important tip: If you are planning to request more than $500,000 in direct costs (not including indirect or F&A costs on any subawards or subcontracts), you must obtain prior approval from the NIH institute or center to which you plan to submit the application. NIH recommends that you initiate the approval process by calling or e-mailing one of the cognizant program officers at least six weeks prior to the submission deadline.

4.3. The basic categories of an NIH proposal budget, as defined in the Grants Process Overview, are as follows:

Salaries and wages

Fringe benefits (where applicable)

Equipment

Travel

Other direct costs:

Materials and supplies

Publication/documentation/dissemination costs

Consultant services

Computer services

Subcontracts or subawards

Other direct costs

Indirect costs (facilities and administrative costs; overhead)

Cost sharing

5. Salaries and wages

5.1. Effort for NIH proposals must be reported in person-months.

5.2. Senior personnel
5.2.1. Per NIH policy, salary is capped annually at the level set for a federal employee in the Executive Level II salary range. The applicable amounts for grants starting 12/23/2011 and later is $179,700. If the budget contains a salary line for someone making more than this amount, NIH will only pay the salary cap amount; any salary above and beyond that amount will have to be covered from another non-sponsored source.

5.2.2. Starting salaries and wages in grant budgets for all current employees are calculated based on the employee's current institutional base contract salary. For subsequent proposal years (often referred to as "out-years"), we assume a 2%. 2% doesn't apply with salaries in excess of the cap.

5.2.3. Salaries charged on proposals should always reflect the effort to be dedicated to the project. Per Einstein policy, effort of tenured track Faculty should never exceed 95%.

5.3. Other personnel

5.3.1. Other personnel include graduate and undergraduate research assistants, postdoctoral associates, faculty experts not designated as senior personnel, technicians, and the like.

5.3.2. Postdoctoral researchers. Stipend levels for research fellows supported by NIH training grants and fellowships will continue to be governed by the rules of the funding agency. For research fellows who are funded from sources other than federal training grants, federal fellowships and nonfederal fellowships: Albert Einstein College of Medicine will continue to have a minimum stipend level. Effective immediately, the minimum stipend level for research fellows at Albert Einstein College of Medicine will be the NIH base minimum of $39,264.

5.3.3. Graduate students. Stipend levels for research fellows are $31,300.

5.3.4. Technical assistants and other personnel. Salaries for technical assistants and other personnel, are budgeted on the same basis as faculty salaries (i.e., on the basis of the employee's current institutional base salary). If the position will be filled by a new hire or an outside consultant, then the compensation will be determined by reference to the applicable salary ranges as specified by Human Resource Services or the prevailing local wages for similar positions, as required under the terms of the Davis-Bacon Act.

5.3.5. Fringe Benefits – the rate is currently 32%. It should be applied to all personnel budgeted except for stipends charged to Federal Training Grants and Fellowships.

5.4. Equipment

5.4.1. As defined by The Albert Einstein College of Medicine, "equipment" means "an item of property that has an acquisition cost of $3,000 or more ...and an expected service life of more than one year." Items which cost less than $3,000 are normally budgeted as materials and supplies.

5.4.2. However, the acquisition cost of equipment includes "modifications, attachments, and accessories necessary to make the property usable for the purpose for which it was purchased." Consequently, even if the base price of an item is less than $3,000, if the accessories, attachments, and/or modifications needed to make it usable for the proposed
research bring the price above that $3,000 threshold, it can still be listed as equipment. Similarly, if the item you need to carry out some or all of your research program is not commercially available in the form you need it, we can still list the components needed to build it as equipment, as long as the total cost is at least $3,000.

5.4.3. Equipment items must be thoroughly justified in the budget justification. NIH will normally expect to see the budget justification backed up with at least one vendor quote for the item(s) budgeted.

5.5. Travel

5.5.1. NIH budget requests must separate travel into "domestic" (which includes the United States and its possessions, Puerto Rico, Canada, and Mexico) and "foreign" categories. Travel costs may be requested for field work, attendance at meetings and/or conferences that are either necessary to accomplish proposal objectives or where results of the proposed research are presented, and other travel associated with the work proposed.

5.5.2. A domestic conference for one person, on average, costs approximately $1,500; an international conference, approximately $2,000-$2,500. For field work and other research-related travel (collaborating with researchers at another institution, for example, or projects at a national laboratory or other external facility), you should budget for airfare or mileage as needed to travel to the site, hotel or other accommodations if an overnight stay will be required, living expenses or per diem allowances, as applicable, and all other necessary expenses, for each person making the trip.

5.5.3. When budgeting for travel, remember that all air travel paid for with federal grant funds must be on a U.S.-flagged carrier if one is available.

5.6. Other Direct Costs

5.6.1. This budget category includes items of equipment that cost less than $3,000 each, along with other items that are needed to carry out the proposed research but which are not budgeted elsewhere. When charged as direct costs, materials and supplies must be directly allocable to the research project: things such as chemicals, test kits, laboratory glassware and small equipment, specialized software packages or licenses, specimen bottles, fish food, or anything else that you need to carry out the research you are proposing.

5.6.2. Please refer to our policy on 2.1A–Direct Cost Guidelines for Sponsored Projects for more information.

5.7. Publication/Documentation/Dissemination Costs

5.7.1. NIH allows costs for dissemination of research findings from the proposed research. When budgeting for publication costs for new projects, NIH recommends delaying such costs until later budget periods when the project has produced data that can be shared. Do not include your time or that of other project personnel in preparing manuscripts, etc., as that is presumed to be a part of your work on the grant for which you receive salary compensation.

5.8. Consultant Services
5.8.1. Consultants are persons in certain occupations or possessing special skills who are not employees of NIU. As NIH defines them, consultants "may provide advice, but should not be making decisions for the direction of the research."

5.8.2. Consultant services, when required to carry out the proposed work, are allowable on NIH budgets. Consultants are not subject to the salary cap restriction, but consultant costs must be reasonable NIH standards. NIH expects that consultants will charge a fixed rate for their services that includes both their direct and F&A costs. You do not need to report direct and indirect (F&A) costs separately; however, you should indicate how much of the total estimated consultant costs will be spent on travel, or budget for travel separately.

5.9. Computer Services

5.9.1. NIH allows recovery of costs for research-specific computer services.

5.9.2. Do not include general-purpose computer equipment, tech support, or software; these are expected to be paid out of F&A costs.

5.10. Subcontracts

5.10.1. A subcontract represents a legal agreement between the primary contractor or grantee (Einstein) and another party and is used when a major portion of the work may be performed by another party. Partner institutions on Einstein proposals will each need to provide the following:

5.10.2. A detailed budget request

5.10.3. A scope of work statement describing, in reasonable detail sufficient to allow someone unfamiliar with the work to determine whether or not a given task or objective had been completed

5.10.4. A consortium letter, signed by their authorized organizational representative or someone else with the legal authority to bind the institution and commit its resources

5.10.5. A copy of the institution's federally negotiated F&A rate agreement, if applicable

5.10.6. Allow extra time for developing any proposal that involves subcontracts, as both Einstein and the partner institution(s) will need to prepare and review quite a bit of additional documentation before the proposal can be submitted. If the program to which you are applying limits the amount of funding that can be requested, remember that Einstein will take indirect costs on the first $25,000 of each subcontract (or on the full amount of the subcontract, if it is less than $25,000).

5.11. Other Direct Costs

5.11.1. All other costs not covered elsewhere should be included on this line. Such costs include, but are not limited to, animals and animal care costs, costs for shipping of research samples and field equipment to/from field sites and/or collaborating institutions, and contractual services related to the proposed research (such as, for example,
evaluation services, sample analysis, or specialized services like map- or model-making), whether the work is done at Einstein or an outside institution.

5.11.2. NIH also includes as an "other cost" category alterations and renovations (A&R). This category does not include general maintenance, or projects costing more than $500,000, and other restrictions apply. Funds in this category are used for such things as alterations to a laboratory to make space for a new piece of equipment (or alterations to the building needed in order to use the instrument safely and effectively).

5.12. **Indirect Costs (Facilities and Administrative Costs; Overhead)**

5.12.1. Per NIH policy, we must use our negotiated federal rate for indirect costs on all NIH proposals. Currently, our negotiated F&A rate for on-campus research is 67% of modified total direct costs (MTDC)

5.12.2. MTDC consists of all salaries and wages, fringe benefits, materials, supplies, travel, and subcontracts up to the first $25,000 of each.

5.12.3. MTDC base excludes equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, and the value of each subcontract, if any, in excess of $25,000).

5.13. **Indirect Costs (Facilities and Administrative Costs; Overhead) Off-campus & exceptions**

5.13.1. The corresponding off-campus rate is 26%, where "off-campus" research is defined as work that is conducted at a site for which Einstein does not provide rent or maintenance or for which rent is paid from external funds. However, MMC grants receive the on-campus rate.

5.13.2. If an NIH program specifies a different F&A rate and/or rate basis, or does not allow any recovery of F&A costs (typically for proposals where the grant is made to an individual instead of the institution, or grants solely for conference travel, equipment, construction, or participant support), Einstein will honor that rate or waive indirect costs altogether.

5.14. **Cost Sharing**

5.14.1. Cost sharing refers to the commitment of institutional or other resources (over and above the funding requested from the sponsoring agency) to a particular research project, at the discretion of the grantee institution. Note that this does not include such things as laboratory space, equipment, facilities, or other resources that Einstein provides to researchers more generally, and which should be reported (as applicable to the proposed research), on the "Facilities, Equipment, and Other Resources" form.

5.14.2. Per Einstein policy, our proposals should not include cost sharing other than salary cap cost sharing.
5.14.3. At times, cost sharing may be required by law, regulation, or administrative decision of an NIH Institute or Center. In these cases, approval should be obtained from the Dean’s office prior to commencing the proposal. Costs used to satisfy matching or cost sharing requirements are subject to the same policies governing allowability as other costs under the approved budget.
**NIH Salary Cap Illustration**

Anyone being compensated at a rate greater than the published NIH cap, can only charge an NIH amount up to the level of the cap. At the time of this policy, $179,700

**Illustration:**

Dr. Jones’s salary is **$200,000** and he applies **10%** effort to an NIH grant. If the salary cap at the time is $179,700, then the most he can charge the grant is **10% of $179,700** or **$17,970**, and not **10% of the $200,000** which is **$20,000**. The difference of $2,030 is cost sharing, and must be charged to a non-federal account.

Effort required will be **10%** with Institutional Base Salary (IBS) of **$200,000**

(Note: In this example, the effort report, based on salary will indicate only **9%**, $17,970/$200,000)

Salary funded from grant will be up to the Cap: **10% of $179,700** or **$17,970**

*This Cap limitation creates cost sharing: difference between 10% of $200,000 and 10% of $179,700, or $2,030*

*Salary paid from the grant plus cost sharing = 10% of IBS: $17,970 plus $2,030 = $20K*