



GRANTS 101

GRANTS MANAGEMENT FOR PRINCIPAL INVESTIGATORS

Developed by UTHSC-H Post – Award Finance Team
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Everyone's Involved

- Principal Investigator
- Department
 - Chair, Department Business Manager (DMO), Departmental Administrative Staff
- Dean's Office
 - Dean, Associate Dean for Business Affairs
- Central Administration *(Unfortunately, not the entire list)*
 - Pre-Award, Post-Award, Purchasing, Travel, Personnel Action processing, Auditing, Legal Affairs, Compliance, Office of Research Support



How To Start Spending the Money

■ Fund Accounting

- Funds and Fund types are accounted for and reported on separately (Federal, State, Local, and Private).
- Expenses are coded so that they are “booked” on a per project or per account basis.
- Different fund types have different terms & conditions (restrictions on spending).



How To Start Spending the Money (cont.)

- Account setup – the earlier the better
 - An account can be set up “early/under guarantee” as soon as there is a Notice of Grant Award (NGA) or a draft of a contract, a completed Review and Approval (R&A) form, necessary animal or human subject approvals, and a budget.
 - This allows the expenses to be booked in the appropriate account from the beginning.
 - This reduces the necessity for cost transfers, and eliminates the problems with the time limitations on processing cost transfers. (We’ll explain that in the next slide or two.)



Getting Personnel Paid

- **PA = Personnel Action**

- Forms must be submitted to the System Data Resource (SDR) Team for entry into the payroll system.
- Information that is required includes base salary, FTE status (full or part time), funding source(s), salary distribution percentages for each funding source, and the estimate of the effort that will be contributed for each funding source/project.
- Since there is no lag time in paying salaries, the submission timeframe for PAs is challenging. For example, the cutoff date for submission of PAs for the payroll period of 10/01/11-10/15/11 is 10/05/11. Anything that is submitted after the cutoff date will result in a retro-PA. (More on this later.)



Getting Personnel Paid (cont.)

■ Effort Reporting

- This is not the same thing as the number of hours that someone works.
- It is the percentage of their time that was spent working on a specific project.
 - Employee "A" works 20 hours per week and Employee "B" works 50 hours per week. Both give 100% effort. It may be 100% on a single project, or 25% on four different projects.
- Online Effort Reports are supplied every 6 months for all Faculty, Administrative-Professional, and exempt employees.

Effort reports must be reviewed and certified on line in the ECRT system. A PI receives access to this reporting when a project is set up.

- Effort reporting compliance is a primary topic in every federal audit.



Purchasing Supplies

■ Allowability and Allocability

- In order for supplies (or any type of expense) to be 100% allowable as a “direct” cost on grant/contract, the item must be used specifically for that project, and only for that project.
- If the item is used for several projects, and there is no reasonable way to determine the proportions of usage, then the expense is considered to be an “indirect” cost, and should be charged to a departmental account (usually state or designated funds). This expense is covered by the Indirect Cost (IDC) recovery, which is also known as the Facilities and Administration (F&A) costs.
- If the item is used for several projects, and there is a reasonable way to determine the proportions of usage, then the expense may be considered a direct expense on each of the projects in proportion to the determined usage. (Example: 25% on Project 1, 60% on Project 2, and 15% on Project 3.)



Purchasing Supplies (cont.)

■ **Methods of Payment**

- Expenses can be paid using different mechanisms. Purchase orders and non-Purchase Order vouchers pay the expense with a check or via electronic funds transfer.
- Purchases can also be paid with a Procurement Card (or BuyCard). Each card is established with a “default” account, to which the expenses are coded in case the purchaser does not reconcile the purchase in the PeopleSoft System.
- We recommend that you do NOT use a Project account (grant or contract) as the default account on a Procurement card because the risk is too high that purchases will not be reconciled, thus resulting in unallowable expenses to be booked to the restricted account.



Budget Management

- Each project has its own terms & conditions that are set by the funding agency, and determine whether funds can be re-budgeted.
- Each project has its own period of performance, resulting in projects with overlapping budget periods. In such cases, expenses should be charged proportionately to each project throughout the year based on the work done on the project. It is not appropriate to spend all the funding in one project until it is gone, and then start spending the funding in another project (even if it may be more convenient to do so).



Making Corrections

■ Retro-PA

- Retro-PAs are used to correct such payroll problems as funding distribution errors for a payroll that has already been paid, or one for which the PA submission deadline has passed. (Refer to HOOP 137)
- Retro-PAs cannot cross fiscal years. Our fiscal year is September 1 – August 31.
- Retroactive Personnel Actions for Sponsored Project Accounts will only be processed if initial submission is within 60 calendar days from the end of the month when the expense was incurred, unless the Retroactive Personnel Action request is to move the expense from a Sponsored Project Account to an All Other Account.
- Retro-PAs cannot be processed if the effort report has already been certified unless the expenses are being moved off a restricted fund to a non-restricted fund (i.e. dept. fiscal funding or gift accounts).



Making Corrections (cont.)

- Cost Transfers

- Cost transfers are used to correct non-payroll problems such as an expense that was booked to the incorrect project or account. (Refer to HOOP 23.12)
- Cost transfers cannot cross fiscal years. Our fiscal year is September 1 – August 31.
- Cost transfers must be processed within 60 calendar days of the date on which the expense was incurred.

Hot Topic:

Cost Sharing/Matching Funds

- If cost sharing is part of your project, there is usually extra documentation required of the PI and the departmental staff. For example, if we are cost sharing employee effort, each effort report must be manually modified to include the cost sharing information before it can be certified.
- UTHSC-H is required to track and document Mandatory Cost Sharing, as well as Voluntary Committed Cost Sharing.
 - **Mandatory Cost Sharing (or Matching) is required by the funding agency in order to get the award.**
 - **Voluntary Committed Cost Sharing (or Matching) is not required by the funding agency, but was included in the application budget. It can be included either in the line-item budget or in the budget justification/narrative.**

Hot Topic:

Sub-recipient Monitoring

- Subrecipient monitoring is another primary focus of federal audits. At UTHSC-H, there are shared responsibilities for this task.
- The departmental/PI responsibilities include:
 - Identifying eligible subrecipient agencies that are willing *and able* to comply with the contract terms.
 - Reviewing reports and billings, and following up on areas of concern.
 - Monitoring subrecipient budgets to ensure that funding is not being spent either too quickly or too slowly.
 - Asking for more supporting documentation when necessary.
- There is a more extensive presentation on subrecipient monitoring on the PAF Team website.



Hot Topic: Indirect Cost Recovery

- Institutional recovery rates as of 09/01/11:
 - Federal on-campus 52%
 - Federal on-campus Instruction 40%
 - Federal off-campus 26%
 - Non-federal/All Other 24% (rarely used)
 - Clinical studies 30.0%
 - Actual rate of indirect costs that are incurred per federal project: ~57%
- Therefore, every federal grant that we accept has a **cost recovery gap of at least 5%** that must be covered by other sources of funding (such as state funds, Practice Plan funds, or gift funds).



Hot Topic: Indirect Cost Recovery

- How is the IDC Recovery funding used?
 - The money is used to cover actual expenses that were incurred for the project, but which cannot be charged as direct expenses.
 - Examples: Library support, police/security, utilities, general administrative expenses (such as the DMO's salary), central administrative costs (such as Pre-Award, Post-Award, Employee Reimbursement, Billing, Human Resources, etc.)

Hot Topic:

Indirect Cost Recovery (cont.)

- What are the consequences of not recovering the full IDC rate?
 - Both Central Administration and Departmental Administration budgets must be reduced.
 - Fewer employees to provide support services.
 - Support services must be limited.
 - Basic services (such as setting up accounts and loading budgets) take longer to complete because there are fewer staff to share the workload.
 - The other funds that are used to cover the shortage (state funds, Practice Plan funds, gift funds) are not available for seed money for new research, or bridge funding for existing research.



Hot Topic:

Subject Participation Incentives

■ Mechanism of Payment

- Don't make promises the institution cannot keep.
- Make sure that the proposal you have for paying subject incentives is reasonable and cost effective, from an administrative standpoint. For example, if your plan is to write individual checks for \$10 to each participant, you need to consider that it costs more than \$15 for every check that we write.
- Raffles are not allowed because this is considered a game of chance (gambling), which we are prohibited (as a State institution) from participating in.



Hot Topic:

Subject Participation Incentives

■ IRS Information

- UTHSC-H is required by the IRS to collect identifying information on each subject receiving incentive payments.
- HIPAA regulations require that this IRS data collection requirement be disclosed to the participants in order to comply with informed consent rules.
- This results in the institution and the PI struggling to maintain compliance with two conflicting sets of federal regulations. Make sure you have resolved with your departmental administrative staff how this process will work for your project.



Hot Topic: ARRA Funding

- **American Recovery and Reinvestment Act**
 - Shortened funding term
 - Heightened reporting requirements (quarterly and annually)
 - Detailed information regarding personnel and job creation/retention
 - Web-posted details of research progress and spending
 - Multiple Audits

P < .05

(in Administrative Terms)

- NIH has several different versions of a “25% rule” that PIs need to consider:
 - Rebudgeting of 25% or more of the total award into one of the cost categories. This applies whether you are increasing or decreasing the category. This can be an indicator of a change in scope.
 - Example: If the total budget awarded for Year-2 is \$200,000 then decreasing the salary budgets by more than \$49,999 would create concerns at the funding agency that there had been a change in scope.



$P < .05$ – for Administration - 25% rules (cont.)

- Reduction in effort of key personnel of 25% or more of the effort that had been committed on the budget.
 - Example: If the PI committed 30% of their effort to the project on the application budget (and had not indicated in subsequent years' progress reports that there would be a change in effort), then the most that the PI's effort could be reduced on this project would be 7% (rounding down from 7.5%), resulting in a new committed effort level of 23%.



$P < .05$ – for Administration - 25% rules (cont.)

- If more than **25% of a budget year's total award** is unobligated at the end of that budget year, it requires an explanation to be submitted outlining plans for spending the funding in the next budget year. This can result in future year's funding being reduced.



$P < .05$ – for Administration - Change in Scope

■ **Change in scope**

- Transferring a substantive portion (greater than 25%) of the programmatic work to a third party (subcontractor).
- Change in the specific programmatic aims that were approved at the time the grant was awarded.
- Shift in the research emphasis from one disease area to another.



P < .05 – for Administration – Change in Scope (cont.)

- Substitution of one animal model for another (genetically altered mice do not = mice)
- Any change from the approved use of animals or human subjects.
- Purchase of a unit of equipment exceeding \$25,000.
- Application of new technology (e.g., changing assays to a type that was not previously approved).



$P < .05$ – for Administration Patient Care Costs

■ **Patient Care Costs**

- Incurring patient care costs if they were not included in the application budget, the progress report, or otherwise approved by NIH.
- Rebudgeting into or out of the Patient Care cost category without NIH prior approval.



Learning the Secret Language

- **NCE – No Cost Extension**

- This means that the period of performance for the grant can be extended, but no additional funding will be awarded.
- For most grants, the first NCE for an award can be approved locally by UTHSC-H.
- The second NCE must be approved by the funding agency.



Learning the Secret Language (cont.)

■ **CF – Carry Forward**

- This means the unobligated/unspent balance from one budget period can be carried forward into the next budget period.
- Most (but not all!!!) carry forward of unobligated/unspent balances on basic research grants is automatic.



Learning the Secret Language (cont.)

- **FDP/Expanded Authorities – Federal Demonstration Project**
 - UTHSC-H is a member of the **Federal Demonstration Partnership**, which gives us the local authority to approve certain requests locally without obtaining prior approval from NIH.
 - Examples: rebudgeting, certain equipment purchasing requests, first year NCEs.



The End (in Administrative Terms)

- **Closing out a project – should start approximately 90 days prior to the end of the final budget period.**
 - Analysis – has work been completed, and if not, can it be completed in the remaining time? If not, consider requesting an NCE request.
 - Final reports: Progress reports, Invention statements.
 - Clear all encumbrances.
 - Submit PAs for personnel funded from the account.
 - Make sure that all expenses will be booked in time for the final financial report or final billing.
 - Make sure that you have final reports from subrecipients and that they have submitted all their final billings.



Web Resources

- **Resources – PAF Team website**
 - <https://www.uth.edu/sponsored-projects-administration/about-spa/post-award-finance>
 - Grant Guide
 - Grants Management Bulletins
 - Forms and templates
 - Links to NIH, OMB, etc.
 - Expense allowability grids



Web Resources (cont.)

- **FDP – Investigator Track**
 - <http://thefdp.org/>
- **NCURA – Journals and Classes**
 - <http://www.ncura.edu/>
- **SRA – Journals and Classes**
 - <http://www.srainternational.org/home/>



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