Budgets and Financial Monitoring
Tools and Tips

January 21, 2014
Overview

• Setting the stage with regulatory framework
  • Circulars and general ideas and principles behind them
  • Changes to OMB with the recently approved “Super circular”

• Basic budget development considerations

• Accelerated spending and overruns

• Troubleshooting Deficits

• Reports and tools to help with financial management
Regulatory Framework

- OMB Circulars
- Cost Accounting Standards
- Guiding Regulations
- Institutional Policies
- Sponsor Policies
Basic Concepts of Guiding Regulations

Cost Principles A-21 and A-122
Establishes principles for determining costs of grants, contracts and other agreements. Identifies allowability of certain costs, details of DC vs. IDC and discusses rate negotiations and approval.

  *Allowable costs must be **Allocable, Reasonable** and treated **Consistently***

Administrative Standards A-110
Sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants for the entire life cycle for institutions of higher education, hospitals, and other non-profit organizations. (Pre-award, Post-award, After-Project and Closeout)

Audit Standards A-133
Sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments, and non-profit organizations expending Federal Awards. There are 14 components to the annual audit.
Changes to OMB circulars

Highlights:
- Raising the Single Audit threshold to $750,000
- Standardizing the simple acquisition threshold to $150,000
- Requiring recipients to notify awarding agencies of potential conflict of interest in the administration of grant awards
- Revising, adding, and eliminating selected items of cost
- Providing new recipients the opportunity to indefinitely elect a de minimis indirect cost rate of 10% of Modified Total Direct Costs
- Allowing recipients to apply for a one-time extension of a negotiated indirect cost rate for up to four years.

Direct vs. Indirect Costs

**Direct Costs** are costs that can be identified specifically with a particular activity/project or directly assigned to such activities relatively easily with a high degree of accuracy.

- Salary
- Fringe
- Equipment
- Supplies
- Travel
- Patient Care Costs
- Subcontracts, etc.

**Examples of DC**

**Indirect Costs (also called F&A and Overhead)** are costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsor project.

- Accounts Payable
- Chief Medical Officer
- Information Systems
- Interpreter Services
- Payroll
- Purchasing
- Utilities, etc.

**Examples of IDC**
Considerations When Developing your Budget or Rebudgeting

• **Watch out for IDC excluded categories.** Subcontracts, Other Patient Care, Equipment and Tuition *do not* take IDC. IDC rates must be applied to the *Modified Total Direct Costs (MTDC)*. When rebudgeting an excluded IDC category into other lines, be sure to account for the IDC.

  **Example:** Your sub recipient will not be using the entire contracted amount of $100K. There will be $20K available for you to rebudget into the main project. $20K of your Direct Costs from the subcontract will now be rebudgeted to On Site Personnel with $11,696 in DC and $8,304 in IDC.

<table>
<thead>
<tr>
<th></th>
<th>Initial Budget</th>
<th>After rebudget</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Site Personnel</td>
<td>$125,000</td>
<td>$136,696</td>
</tr>
<tr>
<td>Subcontract</td>
<td>$100,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>DC total</td>
<td>$225,000</td>
<td>$216,696*DC decreased</td>
</tr>
<tr>
<td>IDC @71%</td>
<td>$88,750</td>
<td>$97,054*IDC increased</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$313,750</td>
<td>$313,750</td>
</tr>
</tbody>
</table>

• **Are you using the correct Fringe rates?** BMC is currently at 31.2% for all employees. BU has 6 different rates! (See Appendix for details)

• **New Salary Cap just released!** On January 16, NIH increased the Level II salary cap 1% percent from $179,700 to $181,500.

• **IDC changes to first $25K of a subcontract to come in FY2015.**
Effective October 1, 2014 the BMC will charge overhead on the first $25,000 of expenses on outgoing subcontracts. The change in policy will enable BMC to be reimbursed by sponsors for some of the costs associated with administering subcontracts.

- Overhead charges for subcontracts should be included in all proposal budgets for grants or contracts going forward.

- Should a subrecipient receive more than one subcontract on a given grant, overhead will be charged only on the first $25,000 of the subrecipient's combined award.

- New reports and additional information will come out this year.
The Federal Grants Management Officer (GMO) monitors grantee expenditure rates under individual grants within each budget period and within the overall project period. The GMO may review grantee cash drawdowns to determine whether they indicate any pattern of accelerated or delayed expenditures. Accelerated or delayed expenditures may result in a grantee's inability to complete the approved project within the approved budget and period of performance. In these situations, the GMO may seek additional information from the grantee and may make any necessary and appropriate adjustments.

http://grants.nih.gov/grants/policy/nihgps_2013/nihgps_ch7.htm#preaward_preagreement_costs
Troubleshooting Accounts in Deficits

- Has the budget been entered correctly? R01’s in particular need to have budgets increased and dates extended.
- Are items posted after the end date supposed to be there?
- Did salaries continue to post after the end date? If account was rolled late, then PAFS will need to be submitted to HR to correct.
- BU Salary always posts to the highest active activity in the system. Any retro adjustments will have to be manually moved to the previous activity number. Work with your GA if you have this problem.
- Trainees on training grants use a lower fringe rate. Have adjustments been completed? GA can assist you if this pertains to the grant.
- Was there severance, vacation pay out or FMLA posted to the account in error? Provide BMC employee ID and dates, GA will confirm with Payroll in order to perform any adjustment.
- Have all Cost Transfers, SAP entries, PAFS, SARFS, Journal entries been posted?
- Do you need help with getting personnel off the grant when you do not control the PAF/SAP?
**Budget Status Report:** Provides a snapshot of the entire project. Provides Budget, Current Period, Fund to Date, Encumbrances and Balance Remaining.

**Encumbrance Open Report:** Shows a listing of all open encumbrances currently available and how much remains in the purchase order.

**Grant Expense Report:** Provides detail of all expenditures within each account category.
### BMC Grants Administration

**Budget Status Report**

**Posting Date from:** 12/01/2013 to 12/31/2013

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#### Account Category / Description

<table>
<thead>
<tr>
<th>Account Category / Description</th>
<th>Budget</th>
<th>Current Period</th>
<th>Fund To Date</th>
<th>Encumbrance</th>
<th>Indirect</th>
<th>Fringe</th>
<th>% Spent</th>
<th>GA</th>
<th>GA HN</th>
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</thead>
<tbody>
<tr>
<td>53200 BUDGETED FRINGE BENEFITS</td>
<td>408,475.00</td>
<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
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<tr>
<td>53500 ON SITE PERSONNEL</td>
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<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
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<tr>
<td>541100 PROFESSIONAL SERVICES</td>
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<td>9,142.84</td>
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<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
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<tr>
<td>542100 OTHER CONSULTANT EXPENSE</td>
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<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>543100 FOOD EXPENSE</td>
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<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
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<td>0.00%</td>
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<td></td>
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<tr>
<td>544100 OFFICE SUPPLIES</td>
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<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
<td></td>
<td></td>
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<tr>
<td>545100 MEETINGS/CONFERENCES/TRAINING</td>
<td>408,475.00</td>
<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>546100 DUES &amp; SUBSCRIPTIONS</td>
<td>408,475.00</td>
<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>547100 OTHER EXPENSES</td>
<td>408,475.00</td>
<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>54747 PETTY CASH EXPENSE (1114)</td>
<td>408,475.00</td>
<td>1,057,500.00</td>
<td>9,142.84</td>
<td>0.00</td>
<td>8,942.84</td>
<td>31.22</td>
<td>0.00%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Total Other Exp

| Total Other Exp | 188,087.00 | 2,409.30 | 150,217.72 | 0.00 | 38,589.28 | 79.50% |

#### Total Direct Exp

| Total Direct Exp | 188,087.00 | 2,409.30 | 150,217.72 | 0.00 | 38,589.28 | 79.50% |

#### Total Indirect Exp

| Total Indirect Exp | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |

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#### Grant No.

| Grant | Total Direct & Indirect Expenses | 188,087.00 | 2,409.30 | 150,217.72 | 0.00 | 38,589.28 | 79.50% |

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**Fund balance remaining and available to spend:**

$43,589.28

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**Notes:**

- Reflects BMC salary and fringe only.
- BJ Salary and Fringe combined.

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Bottom line should be considered when reviewing expenditures.

This only shows up on income and fee payment types.
Other Reports used for Monitoring

**AR Non AR Cash Report:** Displays the checks that have been deposited to the account. Only available for Advance, Income Accounts and Fee accounts where a bill is not generated.

**Encumbrance Exception Report:** Displays listing of POs that are a certain % over/underspent. You set the parameter for percentage.

**Grant Revenue Report:** Gives a listing of all revenue/invoices that have been posted to account for a specified time period.

**Grant Summary by Admin/Department/PI:** Provides a summary list of all accounts listed under a specific administrator/PI/Department.

**Labor Distribution by Employee Detail:** Shows the detail of what other research accounts an employee has posted to in a specified time period.

**Monthly Fund Balance by SBU:** Provides balance summary by SBU.
BMC grants = 600  Donor Restricted= 615 & 620

*Reports should be reviewed monthly, errors and/or discrepancies should be communicated early.*
Financial Monitoring Going Forward

- Review reports on a monthly basis to ensure accuracy.
- Grant Accountants are available to meet with you to discuss your grant portfolio.
- Reports and notifications go out to Administrators throughout the life cycle of the award.
- More policies to be released this year including new Deficit policy and notification process.
- Discuss financials with the PI. The PI is ultimately responsible for the project.
Tools and Resources

Research Finance sends out the following notices throughout the grant life cycle:

1. **Grant Award Notification Letter** for New accounts setup. It is sent as new documentation is received. Weekly to PI and Admin via e-mail.
2. **Pre-Close Letter** (Grant-ending) sent on the 10\textsuperscript{th} of the month to the Admin via e-mail.
3. **FSR Notification Letter** sent on the 10\textsuperscript{th} of the month to the Admin via e-mail.
4. **Monthly Roll** emails for accounts that may have another year of the project, in which case a new activity number will need to be created.


What other reports or communication you would like to see?
Balancing It All
Questions?
Appendix
## Current Fringe Rates

**BMC Fringe rates October 1, 2012 - Until Amended**

**rate is currently provisional until finalized**

<table>
<thead>
<tr>
<th></th>
<th>Federal and Fed Pass-Thru Awards / Non-Federal Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Employees</td>
<td>31.20%</td>
</tr>
</tbody>
</table>

**BU Fringe Rates July 1, 2013 - Until Amended**

<table>
<thead>
<tr>
<th></th>
<th>Federal and Federal Pass-Through Awards*</th>
<th>Non-Federal Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>28.00%</td>
<td>29.80%</td>
</tr>
<tr>
<td>Support Staff</td>
<td>23.70%</td>
<td>25.50%</td>
</tr>
<tr>
<td>Consultants</td>
<td>N/A**</td>
<td>N/A**</td>
</tr>
<tr>
<td>Graduate Students</td>
<td>9.20%</td>
<td>9.20%</td>
</tr>
</tbody>
</table>
NIH Increase to Salary Cap released January 16, 2014

Notice Number: NOT-OD-14-043
Key Dates
Release Date: January 16, 2014
Related Announcements
NOT-OD-14-012 Issued by
National Institutes of Health (NIH)

Purpose
The Department of Health and Human Services (HHS), including NIH, operates under the Continuing Appropriations Act, 2014 (H.J.Res. 106) signed by President Obama on January 15, 2014. This Act (CR) continues government operations through January 18, 2014 at the FY 2013 post-sequestration level.

Continuing the procedures identified under NOT-OD-14-012 and consistent with NIH practices during the CRs of FY 2006 – 2013, the NIH will issue non-competing research grant awards at a level below that indicated on the most recent Notice of Award (generally up to 90% of the previously committed level). Upward adjustments to awarded levels will be considered after FY 2014 appropriations are enacted, but NIH expects institutions to monitor their expenditures carefully during this period. All legislative mandates that were in effect in FY 2013 (see NOT-OD-12-034 and NOT-OD-13-064 ) remain in effect under this CR including the salary limitation set at Executive Level II of the Federal Pay Scale. It should be noted, that the Executive Level II was increased by 1 percent from $179,700 to $181,500 by Executive Order 13655 that became effective January 12, 2014.

Inquiries
Questions regarding adjustments applied to individual grant awards may be directed to the Grants Management Specialist identified on the Notice of Award.

References

• http://blogs.managementconcepts.com/category/grants/

• Budgeting Basics, Society of Research Administrators, May 2013, Dawn Jory, Jessica Cote, Contract & Grant Specialists, University of Delaware

• http://www.whitehouse.gov/omb/circulars_default/

• Increase to NIH Salary Cap Notice http://grants.nih.gov/grants/guide/notice-files/NOT-OD-14-043.html