BUDGET PROCEDURES FOR GRANTS AND CONTRACTS

I. Budget Preparation - Proposal

The budget is the financial representation of the statement of work and should provide to the funding agency a clear picture of your anticipated financial needs. The format and/or allowable costs may vary from one agency to another, but the items comprising the budget are generally the same. Sponsors typically require, or encourage, budgets that present the total amount requested for the life of the award by annual increment and budget component (e.g. total salaries, salaries for year one, salaries for year two, etc.).

Direct Costs:

Direct costs of sponsored projects are those that can be directly associated with the project with a high degree of accuracy. Direct costs are essential to the project's fulfillment. For proposal purposes, OSP encourages providing budget information in as summarized a form as allowed by the sponsor, but some items may need more detail in order to analyze the budget for sufficiency. Also, more detail will typically be required, if awarded, in order to establish the budget in Banner.

Examples of Direct Costs:

Salaries
List each UNA person/position to be included. Using annual salary rate and percentage of time to be devoted to the project, compute the salary allocable to the project for each individual. The salary charged to the grant should be an accurate estimate of the percentage of time each person will spend on the project. A cost-of-living increase of 3-5% should be added to each base salary in each subsequent year of the proposal. Grants.gov and some sponsors require proposed effort to be shown in person-months, which can be calculated from the proposed percentage of effort and the number of months in the individual's appointment (typically 9 months or 12 months). An explanation of person- months and a person-month calculator are available
at: http://grants.nih.gov/grants/policy/person_months_faqs.htm#q2.

A faculty member on a nine-month appointment can request summer salary of up to 33% of his/her base salary. These additional funds will be paid out during the summer and will not affect the faculty member's academic year base salary.

Additional pay (supplemental or extra-compensation) during the academic year or for an individual with a 12 month appointments is allowable ONLY in unusual cases. R e f e r t o University's *Extra Compensation/Supplemental Pay Policy* for guidance. Extra compensation policy also applies to staff on 12 month appointments. See *University's Extra Compensation/Supplemental Pay Policy* for further guidance.

Some sponsors impose restrictions on faculty salary. For example, many NSF programs will fund only 2 months of faculty salary. Occasionally, a foundation or other sponsor will pay for no faculty salary. If faculty effort will be required but the sponsor's policy will not allow

funding of it, the sponsor is in effect requiring cost share and the University's *Cost Sharing Policies and Procedures* will apply.

Salaries of administrative and clerical staff are only allowed as a direct charge if the project meets the federal requirements to be considered a major program. Unless direct charging can be justified in accordance with OMB Circular A-21, secretarial and administrative salaries, office supplies, and other costs identified as normally indirect in the University's policies will be charged as indirect costs.

EXCEPTIONS to charging staff to direct costs may be appropriate per OMB A-21 only where a major project or activity explicitly budgets for administrative or secretarial services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or secretarial support, which is significantly greater than the routine level of such services provided by academic departments.

Once awarded, effort included in the proposal for a PI, Co-PI or other key persons becomes a commitment. For more information see *Budget Management* and *Revision of Budget and Program Plans* below.

Fringe Benefits
The fringe rate is expressed as a percentage of salary, and the dollar amount is calculated by applying the appropriate rate to each UNA employee's salary to be charged to the grant. The proposal fringe benefit rates to be used vary based on employee classifications such as full, part-time, or summer salary. The OSP will assist PI's in calculating the fringe benefit rates. These rates are an ESTIMATE of the actual costs that might be charged based on University averages. ACTUAL fringe charges will be based on the fringe benefit rate in effect during the grant period of performance. UNA is responsible for reasonably estimating costs, while not knowing for certain what an individual's fringe benefits will really cost in the future. The Proposal Fringe Benefit Rates are used to accomplish this objective.

Undergraduate students and graduate students are not eligible for UNA paid health insurance and are only subject to federal and state tax rates. Contact the OSP for estimated tax rates for undergraduate and graduate student assistantships.

Tuition
If tuition is expected to be an expense of the project but there is not a separate line for it on the sponsor's budget form, include tuition in Other Direct Costs.

Other programs specifically for the purpose of providing training to participants often allow the cost of tuition, typically in the form of scholarships or fellowships as this is not in return for services. Please see Section Tuition, Stipends and Other Student Payments policy.

Travel
List anticipated travel expenses of project personnel by purpose and show basis of computation. Include costs such as conference registration, personal car mileage, transportation (air and/or ground transportation, parking), hotel, and meals. Domestic and foreign travel should be shown separately. If foreign travel is not specified within the budget, prior approval from the agency may be required before ==travel== takes place. Regardless of the funding source, UNA travel policies must be followed and can be accessed at http://www.una.edu/controller/.

Participant Support
Expenses for Participant Support are for training projects, conferences, symposia, etc. These costs are for non-UNA employees. Additional information regarding both Participant Support Costs and Stipends (Tuition, Stipends and Other Student Payments) can be found in *'Participant Support Costs-Policies and Procedures'*.

Supplies
Supplies include expendable items with a useful life of less than one year or a unit cost under $5,000. Include a description of each category (e.g. glassware) and best estimate of cost for items directly related to the project and that are to be expended or consumed during the course of the project. Office supplies are generally not allowed as they are items that should be provided by the department or college, and the cost for them is recovered through the indirect cost rate. Office supplies include general purpose computers and computer accessories. Office supplies, postage, local telephone costs, and memberships may not normally be treated as direct costs.

EXCEPTIONS to the direct cost accounting policy will be considered only under the following circumstances for direct charging of postage, basic telephone, office supplies, and computer supplies (including software). Exceptions are generally associated with large/complex projects. Requests should be identified in the budget justification and related to a major product or activity of the sponsored project.

> **1. Exception to Allow a Direct Charge for Postage.** Due to the high demand for postage required to perform this project, as described in the budget justification, an exception to allow postage as a direct cost is requested. (Shipping costs that are not classified as ordinary postage are acceptable direct costs when beneficial and related directly to the project.)
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> **2. Exception to Allow a Direct Charge for Basic Telephone.** Due to the high level of local telephone calls necessary to perform this project, as described in the budget justification, an exception to allow direct charges for local telephone usage is requested. Local telephone charges must be allocable to the specific sponsored project.
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> **3. Exception to Allow a Direct Charge for Office Supplies.** Due to the high demand for these items on this project, as described in the budget justification, an exception to allow direct charges for office supplies is requested. The cost of such office supplies must be allocable to the sponsored project and specifically related to the work being performed on the project.

4. Exceptions to Allow a Direct Charge for Computer Supplies (including Software). An exception to allow a direct charge for computer supplies is requested as such costs are directly related to the performance and benefit of the project, as described in the budget justification.

5. Memberships and Subscriptions. An exception to allow for memberships or subscriptions is requested as the membership or subscription is specifically related to the performance and benefit of the project, as described in the budget justification.

Equipment

List any item of equipment having a unit cost of $5,000 or more and a useful life of one year or more and include the cost of shipping, installation and fabrication. Items costing less than $5,000 per unit should be included either in "Supplies" or "Other"

General purpose equipment (equipment not limited to research, medical, scientific or other technical activities) is generally not allowable as a direct cost unless used primarily or exclusively for the research project. Allowable general purpose equipment should be specified in the budget as it is specifically unallowable as a direct charge without advance approval of the awarding agency.

Consultants/Professional Services

In this category, list each consultant, the specialty or service to be provided to the project, the daily, weekly or monthly rate of reimbursement and the consultant's total projected cost on the project. Include in the proposal a letter of collaboration and the consultant's curriculum vitae. List other services to be purchased for the project such as service or maintenance contracts for equipment utilized on the project. Sub-agreements are partially excluded from application of F&A costs and are, therefore, included in a separate category. It is important to appropriately distinguish between a professional service relationship (consultant/vendor) and a sub-agreement as there are budget implications related to the applicable indirect costs and differing monitoring requirements.

University faculty serving as consultants should be presented in the Salary section of the budget by including a portion of their UNA effort in the proposed budget. Intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full time base salary. Additional pay during the academic year or for an individual with a 12 month appointment is allowable ONLY in unusual cases and must be specifically identified in the proposed budget. S e e *Extra Compensation/Supplemental Pay Policy*.

Sub-agreements

A sub-agreement is a contract or award to another organization that conveys a portion of the UNA project's scope of work. You should obtain an acceptable budget and scope of work, signed by the sub's authorized organizational representative, which may be required to be included as part of the proposal package. It is important to appropriately distinguish between a professional service relationship (consultant/vendor) and a sub-agreement as there are

budget implications related to the applicable F&A (facilities and administrative or indirect costs). It should be noted that PIs have substantial responsibility for monitoring the progress and reviewing the financial reports of their subrecipients. See University's *Subrecipient Monitoring Policy*

Other Direct Costs
Other costs typically include items such as research publications, lab usage fees, animal costs, and/or other project related costs not proposed in the previously mentioned categories. Office supplies, postage, local telephone costs, and memberships may not normally be treated as direct costs. Exceptions may be made ONLY for different purposes or circumstances.

Indirect costs:

Indirect costs of sponsored projects are those that cannot be directly associated with the project with a high degree of accuracy. Indirect costs are normally, therefore, recovered by the University through the Facilities and Administrative Cost Rate.

Facilities and Administrative (F&A) Costs
Compute and include full F&A costs (also referred to as "Indirect Costs" or "Overhead") according to UNA's federally negotiated rate, unless limited or prohibited by the sponsor's written policy. The negotiated rate is applied to a Modified Total Direct Cost (MTDC) base, which includes all direct costs except equipment, other capital expenditures, tuition remission, rental cost of off-site facilities, scholarships, fellowships and the portion of each sub-agreement in excess of $25,000.[1] The current UNA rate agreement can be found in 'Institutional Data for Grants and Contracts'.

Waiver of the F&A costs or its use to meet agency cost matching requirements must be approved by the OSP and the Vice President for Academic Affairs.

Budget Justification:

The Budget Justification is the narrative explanation of the budget. It helps the sponsor to evaluate the reasonableness of the budget. The budget justification should explain and defend each major budget category.

Pay particular attention to the items listed below in your budget justification as these costs are often more carefully scrutinized by the sponsor.

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[1] OMB Circular A-21 requires that indirect costs be allocated on the basis of modified total direct costs (MTDC). For sponsored agreements using federally-negotiated rates, indirect costs are not assessed on direct expenditures identified as MTDC exclusions.

Tuition
Travel (especially foreign travel)
Equipment (especially General Purpose, which is not typically a direct cost)
Administrative Costs

General/Best Practices:

Compare the statement of work (SOW) to the budget and make sure all costs are accounted for in the budget (e.g. if the SOW mentions travel, make sure travel expenses are included in the budget) and all expenses in the budget can be explained by the SOW.

All budgets must comply with UNA policies and must be approved by OSP prior to being submitted to the sponsor. Voluntary cost sharing is not generally supported by UNA. It is the recommendation of UNA's Office for Sponsored Programs that cost sharing only be included in a proposal if it is mandatory cost sharing. This includes voluntary cost sharing not included in the budget but quantified (or made quantifiable) in the budget narrative or any other section of the proposal. See *Cost Sharing Policies and Procedures and Instructions* .

Be conservative when listing senior/key personnel. While the federal government's standard Research Terms and Conditions (http://www.nsf.gov/awards/managing/rtc.jsp) require prior written approval for a change of the PI or for an absence of the PI for a continuous period of more than 3 months or a 25 percent reduction in time devoted to the project, NIH expands applicability of this requirement to also include ANY senior/key personnel named in the Notice of Award.

II. Budget Modification for Award Reduction

Awards are reduced for a multitude of reasons, including a sponsor's budget constraints, the number of awards funded, and the review committee's belief that the proposed aims can be accomplished on a leaner budget. In the event a proposed budget is reduced or requires modification, the agency program officer will provide you with specific cost reduction/modification changes. The PI will need to assess if the proposed research can be completed within the agency proposed budget constraints. If the proposed effort can be completed, the PI will need to draft a revised budget reflecting the new funding levels and submit the budget to the OSP for approval and submission.

Budget Reduction and Cost Share

Whenever re-budgeting is necessary and cost-share is mandatory, the cost-share also needs to be re- budgeted. The cost-share portion needs to be reduced in the same proportion as was the sponsor portion. If your budget was cut 10%, then 10% of the sponsor's funds would be cut and 10% of the cost- share should be cut.

III. Budget Management

Spending in Advance of Award Notice:

When it has been communicated by the sponsor that a particular project will be funded but the award instrument will be delayed, it may be appropriate to establish a grant fund to which allocable costs can be charged. Spending in advance of receipt of award notification must be approved by the OSP and the Vice President for Business and Financial Affairs.   While the federal government's standard Research Terms and Conditions (http://www.nsf.gov/awards/managing/rtc.jsp) state that the recipient is authorized "to incur pre-award costs 90 calendar days prior to award", they also state that "All costs are incurred at the recipient's risk (i.e., the Federal awarding agency is under no obligation to reimburse such costs if for any reason the recipient does not receive an award or if the award is less than anticipated and inadequate to cover such costs)." In addition, the terms and conditions do not apply to all programs and or sponsors. Program specific rules related to advance spending should be followed.

UNA will not authorize charges to a grant or cost share fund for costs that are not allocable to it, even temporarily, because another sponsored project agreement has not yet been received.

Original Budget:

The budget as awarded by the funding agency is followed by the OSP to establish the award in the University's accounting system, Banner. The sponsor's budget format, however, may not provide all the information needed for creation of the budget in Banner.   If not included in the sponsor approved budget, the OSP will work with the PI to expedite establishment of the grant budget.   The PI will need to provide the following information:

> Salaries - Any salaries need to be identified by category such as faculty, professional (non- faculty), graduate students, etc. in order to budget in the correct Banner account code (expense line). Remember, an exception must be approved for charging the salary of clerical and/or administrative staff.   PI and co-PI salaries need to be identified by the individual.

> Travel – Domestic and foreign travel should be shown separately. If foreign travel is not specified within the budget and prior approval from the agency is required, the approval must be obtained before the travel begins.

> Other direct costs – Other costs need to be identified in sufficient detail to budget them within the appropriate account code in Banner (e.g. lab supplies, consulting, subcontracts).

> Tuition – Although included as "other" in most sponsor budgets, tuition must be budgeted separately within Banner.

Facilities and Administrative (F&A) rate – The OSP will assess allowable F&A costs.

Once the budget has been established in Banner, the OSP will provide a copy of the budget to the PI for his/her records.

Revision of Budget and Program Plans:

The University does not have the authority to revise agency approved budgets where prior approval of the agency is required.   Standard Federal Terms and Conditions for Research Grants, http://www.nsf.gov/awards/managing/rtc.jsp, state that the recipient must obtain prior written approval from the Federal awarding agency before making any of the following project changes:

1.   Change in scope or objectives (even if no budget revision is requested). A change in labor allocations is also considered a change in scope or objectives.
2.   Absence (> 3 months or 25% reduction in effort) or change of PI
3.   Need for additional federal funds.
4.   Transfer of a significant part of the research (e.g. sub-agreement)

PIs requesting revisions to agency approved budgets should work with the OSP to provide the appropriate documentation. In general, budget change requests for sponsored funds must include an adequate explanation which answers the following questions:

- Why are funds available in the current expense line?
- Why are funds needed in the new expense line?
- In addition, the PI will need to provide information, by line item, on dollar amounts to be reallocated.

The OSP will work with the PI in submitting the budget revision request to the agency. It is important to note that approvals can take as long as 90 days, therefore, PI's should plan accordingly.

Once the OSP has been notified of the agencies decision, the PI will be contacted within 3 business days. It is incumbent upon the PI to contact the OSP to input approved budget revisions into Banner.

No-Cost Extensions:

A no-cost extension ("NCE") extends the end date of a project without additional funding. NCE's may be necessary in order to complete the work of the project. The PI or the OSP can submit a NCE. While the OSP does its best to notify the PI of pending program expiration dates, it is the responsibility of the PI to monitor grant/contract expiration dates and if necessary submit NCE requests and other appropriate documentation either directly to the funding agency or via the OSP.   If the OSP is to submit the NCE, the PI must contact the OSP 90 days prior to the contract/grant expiration date. At a minimum the OSP must be included in all NCE correspondence submitted to the sponsoring agency.

NCE requests should conform to the sponsors requirement, provided in the contractual agreements or on the sponsoring agencies websites. In general, NCE requests must explain the reason for the extension and provide a budget for the remaining work.

General Guidelines

Be aware of the sponsor's timeline for granting NCE's. In general, requests should be made at least 90 days before the program end date; noting that, some sponsors require more advanced notice.

Projects that are spent out or in a budget deficit will not be extended without additional funding.

Spending out remaining funds is not a sufficient reason for requesting an NCE, and such requests will be denied.

NSF allows a one time 12-month grantee-initiated NCE when it is submitted by the authorized institutional official on behalf of the PI through the Fastlane system under the following circumstances:

There will be no change in the project's originally approved scope or objectives, and at least one of the following applies:

> 1. Additional time beyond the established expiration date is required to ensure adequate completion of the originally approved project.
> 2. Continuity of Sponsor grant support is required while a competing continuation application is under review.
> 3. The extension is necessary to permit an orderly phase out of a project that will not receive continued support.

NSF must approve subsequent NCE requests. All requests will be submitted via the FastLane system. If approved, an amendment to the grant will be issued to extend the end date of the grant. Approval is not automatic and PIs are cautioned not to incur expenditures after the expiration date in anticipation of a no-cost extension.

NIH allows a one-time 6, 9, or 12-month grantee-initiated NCE for awards. The NCE is in effect as soon as the authorized institutional official submits the notification via eCommons. Notification may be made no earlier than 90 days prior to the end date of the project and no later than 1 day before the end date.

See NIH website for procedures involving second NCE requests.

Budget Management Best Practices:

Monitor Budgets

It is incumbent upon the PI to monitor budgets throughout the life of the grant. Expenditures and obligations should be reviewed frequently, ideally monthly, and at least quarterly. Timely identification of the need for a budget change will ensure the necessary processes (including potential sponsor approval) can be completed before problems occur.

In cases where a grant lists multiple PI's, for purposes of financial accountability and oversight, designation of a single PI with financial and program oversight is required. The designated PI will be responsible for overall financial and program management, including submission of agency required progress reports, NCE's, time and effort reporting, and other compliance requirements.

Monitor Expenditure and Obligation Rates

Sponsors consider expenditure rates to be an indication of project progress. If, for example, the project is half way through the period of performance but only 25% of the funds have been expended, the sponsor may question whether appropriate progress is being made, even if progress reports have been submitted. Expenditures rates as a measure of progress are a reflection on the PI and the university. Research efforts failing to meet agency set expenditure benchmarks can be at risk for funding reductions and or termination of the research effort. As such, requests for NCE's are not encouraged.