

# Proposal Budgeting: Intermediate

Jose Alcaine, Office of Sponsored Programs  
Tricia Zeh, School of Medicine

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# The Central Office Perspective

Jose Alcaine, Senior Contract and Grant Administrator,  
Office of Sponsored Programs,  
Office of the Vice President for Research

# Today's Focus

- Budget/Cost Framework
- Relating Costs to Project
- Budget Checks
- Subcontractor Information
- What's up with ...? Top 5 + 1

# Budget Should Relate to Project

## Budget Development

- Federally funded project costs conform to OMB Circular A-21, Cost Principles for Educational Institutions, as follows:
  - **Allowable Costs:** conform to guidelines and incident to agreement
  - **Allocable Costs:** can be assigned to specific project and project benefits from said cost
  - **Reasonable Costs:** sensible, prudent, necessary costs
  - **Consistently Implemented Costs:** must be in line with cost accounting practices and in line with institutional guidelines
- Good Practice: determine costs for any project using above criteria.

## Guidance on costs from OMB circular A-21

[http://www.whitehouse.gov/omb/circulars\\_a021\\_2004/](http://www.whitehouse.gov/omb/circulars_a021_2004/)

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**CIRCULAR A-21 Revised 05/10/04**

**TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS**

**SUBJECT:** Cost Principles for Educational Institutions

1. *Purpose.* This Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Agencies are not expected to place additional restrictions on individual items of cost. Provision for profit or other increment above cost is outside the scope of this Circular.

2. *Supersession.* The Circular supersedes Federal Management Circular 73 8, dated December 19, 1973. FMC 73 8 is revised and reissued under its original designation of OMB Circular No. A 21.

3. *Applicability.*

1. All Federal agencies that sponsor research and development, training, and other work at educational institutions shall apply the provisions of this Circular in determining the costs incurred for such work. The principles shall also be used as a guide in the pricing of fixed price or lump sum agreements.

# Budget Should Relate to Project

## Budget components:

### ■ Direct costs:

- Salaries, wages and fringe benefits
- Materials and supplies
- Equipment
- Subcontractor/consultant costs
- Travel
- Other costs

### ■ Indirect costs: (F&A)

### ■ Costs should reflect aims

## Guidance on costs from OMB circular A-21

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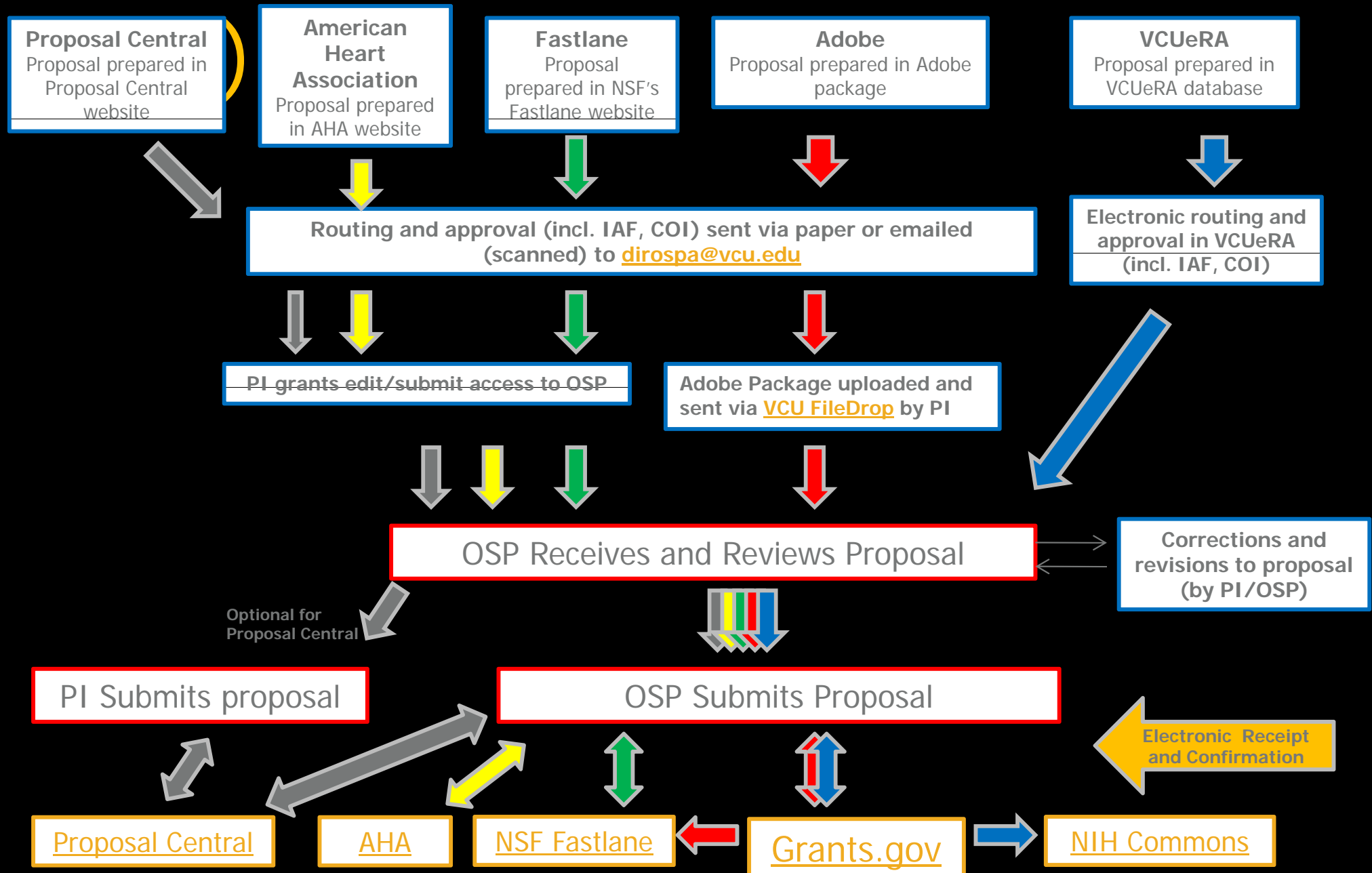
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# Sponsor/Program Information

- Look for limits/caps on:
  - Direct costs
  - Indirect costs
  - Allowable costs
  - Cost sharing/matching requirements

# Electronic Submission Process



# Budget Checks

- Are sponsor budget guidelines being met?
- Are any required forms (if any) being used?
- Are there budgetary limits (salary, IDC, equipment)?
- Are correct IDC rates being applied?



# Budget Checks

- Are there any F&A exemptions?
- Are budget justifications included?
- Are categories allowable/not allowable?
- Are subcontracts included with documentation?
- Are effort levels reasonable?

# Subrecipients on Prime/Lead Application

- Subaward (or subcontract) for expertise on project not available in-house
  - Sub contributes to shaping of the science
  - Sub is not a procurement (A/P)
  - Subaward is processed through OSP through a subgrant/subcontract
- Primary award terms apply
  - PI monitors progress and conduct of subaward
  - Relationship and scope of work defined and justified
  - PI follow VCU procedure on establishing/granting sub

# Sub in Budget: Documents at Proposal

- Receive proposal information from subawardee
- Mini proposal (mini package) consists of:
  - Face page (SF424 or PHS398) OR a consortium letter signed by the subawardee's Authorized Official
  - Scope of Work for the subawardee
  - Checklist page or copy of rate agreement
  - Line item budget
  - Biosketches for subawardee key personnel
- If VCU will serve as sub, send mini proposal to prime applicant (OSP review)

# What's up with...? Top 5 + 1

1. Wrong fringe rate or F&A rate applied
2. Lumping everything under "Other Costs"
3. Subaward budgets
4. Not having full personnel name, role on project or both person months and % effort
5. Equipment under \$5K should be in Supplies and Materials
6. Correct F&A calculation, excluding all of the exempt items if applicable

Questions?

# The Department Perspective

Tricia Zeh, Director of Research Administration  
VCU School of Medicine

# You Already Know

1. Communication is critical
2. Sufficient lead time is required
3. Understand and Adhere to Program Guidelines
4. General budgeting rules & practices

# Today's Focus

- Tips and strategies to maximize effectiveness of communication between administrators and investigators to....

BUILD ADEQUATE and PROJECT APPROPRIATE  
BUDGETS!

- What you can do:
  1. Understand the program guidelines
  2. Review the project abstract or specific aims
  3. Organize your thoughts and questions
  4. Meet with the PI to discuss budget needs



# Top 5 Budget Issues: Department Perspective

1. Project personnel effort is over/under estimated
2. Personnel needed for project were not budgeted
3. Services needed for project were not budgeted
4. Subcontract/Consultant costs
5. Internal Collaborations

# What You Can Do

## ■ Understand the Program Guidelines

1. Use them to make checklists or cheat sheets for both you and the investigator
2. Look for program specific budgeting allowances or restrictions
3. On programs where you are allowed to budget for general equipment, administrative costs, etc, be sure to discuss these needs with PI
4. If cost share is required be sure to get department/center commitment early

# What You Can Do

## ■ Review the Project Abstract or Specific Aims

1. You are not a scientist!
2. Analyze from an administrative perspective
3. Does it appear from what you are reading:
  - a) A lot of lab samples collected/analysis done
  - b) Hospital resources uses – Radiology, Pharmacy, Cardiology
  - c) Survey conducted and distributed to large group
  - d) Multiple sites involved – Subcontracts!!!
  - e) Expertise from other VCU departments – Subaccounts!!
  - f) Human subjects, animal subjects
  - g) Large amounts of travel or telecommunications needed

# What You Can Do

## ■ Organize Your Thoughts and Questions

1. Look at any emails received from the PI on budget, the program guidelines, and your notes from reviewing the project abstract.
2. Formulate a list of observations, suggestions, questions based on the information to date.
3. Logical order is to prepare discussion list by staffing needs first, followed by anticipated “big ticket” non-personnel cost, then other lesser non-personnel costs.
4. Prepare a draft budget if you feel you have enough to go on.

# What You Can Do

## ■ Meet with the PI to Discuss Budget Needs

1. A 30 minute in person meeting will far better your effectiveness of assisting to build a solid project budget.
2. Go through the organized, well thought out list of observations, suggestions and questions you have prepared!
3. Discuss the program guidelines allowances, restrictions in context with the project the PI is proposing to map out staffing and other costs needed to conduct the research.

# Conclusions

- **Being Prepared and Organized when MEETING with the PI will Result in Better Built Budgets Minimizing Likelihood of Issues in the Top Five Problem Areas:**
  1. Personnel effort levels discussed – higher accuracy
  2. Talk about project – all needed personnel discovered!
  3. What is it you are doing – All services needed and other non-personnel costs will be apparent
  4. What are those Subcontractors and Consultants doing
  5. Internal collaborators adequately budgeted for and aware of expectations if awarded.

# Wrap Up

- Well, this is going to take up more of my time. Time I don't have!!
  - Think about post award issues that are alleviated by building a stronger budget up front.
  - Compliance improved.
- PIs are not going to want to meet.
  - All PIs are not created equal. Get Admin and Chair support for department process change.
  - News of how helpful you are will travel!

Questions?



# Budgeting Exercises

# Scenario 1: U19

You have exchanged a couple of emails with an investigator in your area. They wish to submit for an NIH funded U19. You have never worked with this mechanism before, and have heard it is not your “typical” R01 submission.

You are planning to schedule a meeting with the investigator to discuss budget. In advance you have asked for a copy of her draft Abstract and you have done a little research on the U19 mechanism.

Using the information you have collected on the award mechanism along with the investigator's abstract, **prepare your thoughts, questions, and discussion points for your budget meeting.**

# Scenario 2: R01

A prominent principal investigator in your department has approached you about putting an application together for an upcoming NIH cycle. She has more complicated projects she is working on but mentions that she has a set project for a “typical” R01, the gold standard of NIH mechanisms. You have experience with this mechanism so think that you can handle it with no problem.

The investigator has given you some information which you have analyzed and will discuss with her in the coming week. Given the information you have from the PI and your knowledge of R01 projects, **prepare your thoughts, questions, and discussion points for your budget meeting.**