Budget Management for VA Awards

Target Audience: VA Principal Investigators and Staff

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Balancing your annual budget

1. Begin by reviewing your original grant budget and budget justification. Compile all costs into a spreadsheet (design your own spreadsheet to fit the particulars of your study).

2. Adjust your spreadsheet to account for any changes from the original budget, such as changes to investigator salaries, investigator effort, staff effort, equipment/supply costs, timing of IPA/contract obligations, timing of purchase obligations, etc. Please read the remainder of this document for more information on these topics.

3. Obtain an Account Status Report from your budget administrator and compare the expenditures and balances to your own records. Make any necessary corrections.

4. Determine your award balance. It is recommended that you update your balance calculations at least quarterly, but preferably on a continual basis. Make plans to spend down your funds, so the award balance will be zero by the end of the fiscal year (September 30th).

Q&A for the Account Status Report

Question: What period of time is covered by the Account Status Report?
Answer: The report covers the current fiscal year, which is from October 1st of one calendar year to September 30th of the next calendar year.

Question: Does the Account Status Report contain all of my budget information?
Answer: No. For example, the Account Status Report does not include future spending on new/renewal IPAs, purchases, etc. The investigator should create a master document for tracking the award budget. This document will need to combine and cross reference information from your Account Status Report, original grant budget, and your own records of changes that have occurred such as future planned spending, new or departing study personnel, unexpected purchases, etc. It is the investigator's responsibility to keep track of these changes and to plan ahead for how this will affect the annual budget.

Question: Is the value of "Account Funds Remaining" accurate?
Answer: No. The primary purpose of the Account Status Report is to show year-to-date expenditures from the current fiscal year. There are many reasons why the Account Funds Remaining balance would not be correct. One of the major reasons is that new IPAs, contracts (or option years), and equipment purchases may not have posted to your account yet. These are often very large expenditures that significantly affect your balance. Other common reasons are addressed in the Questions/Answers below.

Question: What is a control point, and what do the control point numbers mean?
Answer: A control point number separates expenditures into different categories. For example, the VA Brain Rehabilitation Research Center uses the following numbering convention (which changes slightly from year to year; these codes apply to FY22):

206: VA employee salary
334: Current year operating funds
333: Current year travel funds

Question: What is the meaning of "Ceiling" and "TDA"?
Answer: The ceiling represents the amount of funds received from the VA Office of Research and Development (ORD) for the fiscal year. The entries on your Account Status Report are shown as TDA (Transfer of Disbursing Authority). These entries are deposits into your account. Award funds are not usually deposited all at once. Often there are several TDAs throughout the fiscal year, which together add up to your annual budget amount.

Question: Why are there positive entries listed under "Purchases"?
Answer: This occurs when previously obligated funds are not spent and are then transferred back into your account. For example, if $2,000 was obligated for participant payments at the beginning of the year, but only $1,500 was actually spent, the remaining $500 balance will appear as a positive entry under Purchases.

Question: What if the salary amounts spent in prior quarters do not look correct?
Answer: Please contact your budget administrator to determine if there is an error in the effort level assigned to the study personnel.

Question: Are the salary amounts projected in future quarters correct?
Answer: You should assume that projected salaries are <u>not</u> correct unless you have verified the amounts against your own records. There are several reasons why the projections may not be correct: salary costs may not have been projected forward yet; effort levels may change; benefit percentage may change; and projections may not account for study personnel who plan to resign prior to the end of the fiscal year; etc.

Question: Why are my IPA personnel and/or my contracts not listed on the budget?
Answer: If the IPA or contract is new, it has not been finalized yet or it could have been posted to the wrong study. If it's an existing IPA or contract, then the charge was likely posted to the prior fiscal year and the agreement will expire sometime during the current fiscal year. If you intend to renew the IPA or exercise an option year on the contract during the current fiscal year, then the charge will be posted to your account at that time.

Spending VA funds

It is important to spend down your grant money because you may lose unspent funds. Spending must be planned as early as possible and reviewed regularly, in order to ensure that funds are obligated prior to the end of the fiscal year (September 30th). If you will not be able to spend your funds, you should request to redistribute them to a future fiscal year (see "Project Modifications" below).

Salaries

- VA salaries follow the federal General Schedule: https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2021/general-schedule/ The locality pay table for Gainesville is under the "Rest of United States" category. Use this table to appropriately budget salary based on the grade and step levels of study personnel.
- Make sure to account for within-grade step increases. The waiting period for a step increase is one year to rise to step 2, 3, or 4; two years to rise to steps 5, 6, or 7; and three years to rise to steps 8, 9, or 10. Once step 10 is reached, no further step increase is possible.
- The fringe benefit rate differs for each individual, and can change from year to year. Contact your budget administrator for updated information. If the benefit rate is unknown, use 35%.
- A cost of living increase of 2% per year should be budgeted for VA employees. This increase does not always occur and/or may not be exactly 2%, but this is a reasonable estimate to avoid a budget shortfall.

Equipment Purchases

- Purchase requests for equipment may require you to provide information on market research, sole source justification, data privacy/security considerations, etc. Please plan accordingly as this requires additional time.
- Purchases do not count against your budget until the funds are obligated (specifically, the budget administrator will set up a 2237 account in VistA). This can take some time, especially for larger purchases which require special review and may take several weeks (or even multiple months) for funds to be obligated. In some cases, a purchase request late in the fiscal year may not be obligated until the next fiscal year (see Addendum 1 for example).
- For equipment and supply purchases less than $10,000, allow up to 1 month to obligate funds. These purchase requests must be made before July 31st of the fiscal year.
- For equipment purchases exceeding $10,000, these must be approved through the contracting department. Allow up to 2 months for obligating funds for these purchases. These purchase requests should be made by June 30th of the fiscal year.

Intergovernmental Personnel Act (IPA) Agreement

- IPA agreements allow you to use VA funds to reimburse the salary of an employee at an external organization (e.g., UF or NFFRE).
- IPAs can only be used to pay research "career" personnel including faculty, post-docs, and research staff (not administrative positions).
- IPA agreements covering multiple years *cannot* include annual increases in cost of living. Rather, the base salary that is used to calculate the IPA must remain the same for each year.
- The person whose salary is being paid must have already been in their current position for at least 3 months. *(Note: In the case of salary reimbursement from NFFRE to VA or UF employees, there is not a required waiting period.)*
- IPAs cannot be used to support new hires or graduate student tuition/stipend/fees.

- IPAs can contribute salary to an individual continuously for 4 years. If you wish to keep someone on an IPA longer than 4 years, the IPA will need to be terminated 60+ days prior to the end of the IPA term. After a break of 60+ days, a new IPA can take effect. The break must come before the end of the IPA term. If the 4th year IPA ends, the break period is extended to a full year. Being assigned to a new study after another study has ended does not start the 4 years over again. There must be a true break in the IPA before the 4-year clock restarts.
- The full 1-year cost of an IPA becomes obligated when the IPA begins. This obligated balance can be carried forward to pay salary costs into the next fiscal year (see Addendum 1 for example). If helpful, the costs can instead be obligated on a quarterly basis (i.e. every three months) to spread the cost across two fiscal years.
- IPAs can be cancelled and funds unobligated if needs change.
- A new IPA takes about 2 months to set up. An IPA that is to be obligated in the current fiscal year should begin the setup process no later than June 30th.
- It is important to notify the recipient organization when an IPA is ending, to ensure that they promptly submit salary expenses for reimbursement. The IPA account can remain open for a short period of time after the expiration date, to ensure that all salary expenses incurred prior to the expiration date can be reimbursed. Work with your administrative staff to ensure that the closing of the IPA goes smoothly. Any funds remaining in the IPA account at closure will be returned to the VA funding source.
- For complete details on IPAs, see VA HANDBOOK 5005/32 (dated February 23, 2010).

Contract
- A contract can be written to an external organization (“vendor”) to provide goods or services.
- Contracts describe the services to be completed, benchmarks to be achieved, deliverables, etc., but generally do not name specific individuals to do the work.
- Contracts include a base year and up to 4 option years. The PI must choose to exercise each option year before those funds will be distributed.
- The full 1-year cost of the contract is obligated to the fiscal year that it begins. This obligated balance is carried forward to pay costs into the next fiscal year (see Addendum 1 for example).
- Vendors submit invoices to the contract. This invoice is reviewed and approved by the budget administrator, then the invoice amount is deducted from the obligated funds.
- Unspent contract funds can be returned to the funding source, but must still be spent during the fiscal year (or redistributed to a future grant year).
- Contracts may require payment of institutional indirect costs. The indirect cost rate for UF is over 50% and may have to be factored into the cost of the contract.
- A new contract takes about 4 months to set up.

Project Modifications (PMOs): No-cost extension, cost extension, and redistribution of funds

No-Cost Extension

A no-cost extension extends the end date of award by up to 1 year. A no-cost extension can be requested with or without redistribution of funds (see “redistribution” section below). The awardee is encouraged to request a project modification as soon as the need for the extension is anticipated, but no later than 3 months before the end of the award. Reasons for requesting a no-cost extension include, but are not limited, to:

- PI changes sites, or has to relocated research facilities within the same site and is temporarily unable to perform the research

- Delay in hiring research staff
- Delay in executing contracts or obtaining critical equipment or supplies

Redistribution

A redistribution is when funds allocated to a particular fiscal year are moved to a future fiscal year. Redistribution of funds can be requested with or without a change to the award end date. Redistributions are an important strategy for retaining your full award amount, because excess funds (not redistributed) remaining in the award account at the end of the fiscal year may be permanently "swept" and not returned. Redistributions should be requested as soon as the awardee realizes that there will be a substantial amount of unspent funds (as early in the fiscal year as possible).
ORD has provided the following guidance on redistributions:
• Redistribution PMOs are not simply an automatic mechanism to roll over funds from one year to the next. If you requested a PMO last year, do not submit another one to roll funds into next year unless you have a bona fide need to redistribute. These will be considered with high scrutiny.
• Redistribution PMOs are a way to take a look at your start date, your progress to date, your funding expended and what the needs are for future years.
• Redistribution PMOs should be looked at as a one-time re-budgeting of funds among years.
• Redistribution requests are not for new or additional funding.
• The justification for redistribution should be clear and concise. It should NOT state I cannot spend the money so I need it next year. The requests should be based on restructuring your budget based on scientific needs of the project.
• The redistribution request should include a revised summary budget worksheet. Note that each funding service may have slightly different parameters so please review their guidelines.

Cost Extension

A cost extension is a request for additional research funds (beyond the original grant budget) to complete the research. Cost extensions are considered only in rare situations, and only if efforts taken locally to address the budgetary deficiencies (e.g. use of locally unobligated and carry over funds) have been insufficient. Reasons for requesting a cost extension include, but are not limited, to:

- A clinical trial where a short extension may ensure success (e.g., to achieve target enrollment)
- Catastrophic event that damages facilities (e.g., flooding, fire, earthquake)

More detailed information on the topics of no-cost extension, redistribution, and cost extension are available in the document titled "*Criteria and Instructions for Requesting an Administrative Project Modification*". Please ask your budget administrator.

Glossary of Terms

Budget Justification **-** A formal document outlining the budgetary amounts planned for a project.

Carryover (or Carryforward) Funds **-** Funds that are available in a fiscal year subsequent to the year in which they were appropriated.

Contract **–** An agreement between the Federal Government and an independent party to provide goods or services. Contracts can be written to include a base year and several option years. Each option year must be approved on an annual basis, and funds will not be obligated until approval is granted.

Cost extension - A request for additional research funds (beyond the original grant budget) to complete the research.

Earmark **-** To set aside funds for a specific purpose, use, or recipient.

Fiscal Year **-** Any yearly accounting period. The fiscal year for the federal government begins on October 1 and ends on September 30. It is designated by the calendar year in which it ends.

Full Time Equivalent (FTE) **-** Direct hire Federal employees who are paid salaries, wages, or fees for the personal service they render. For FTE reporting purposes, an FTE (or work year) is based on 2,080 hours (i.e., 40 hours/week x 52 weeks), which is equivalent to one year's full time work schedule.

Intergovernmental Personnel Act (IPA) Agreement - permits the temporary assignment of skilled career employees to positions with Federal Agencies. IPA agreements are commonly used to pay UF collaborator salaries using VA award funds.

No Cost Extension **-** extends the end date of award. A no-cost extension can be requested with or without redistribution of funds.

Obligation **-** obligation of funds means to set aside funds for a specific purchase. Obligated funds are considered to be spent. If funds have been obligated but not yet fully liquidated (e.g., this is common for IPAs), the non-liquidated balance can be carried forward across fiscal years without a project modification.

Outyears **-** Years that follow the current fiscal year.

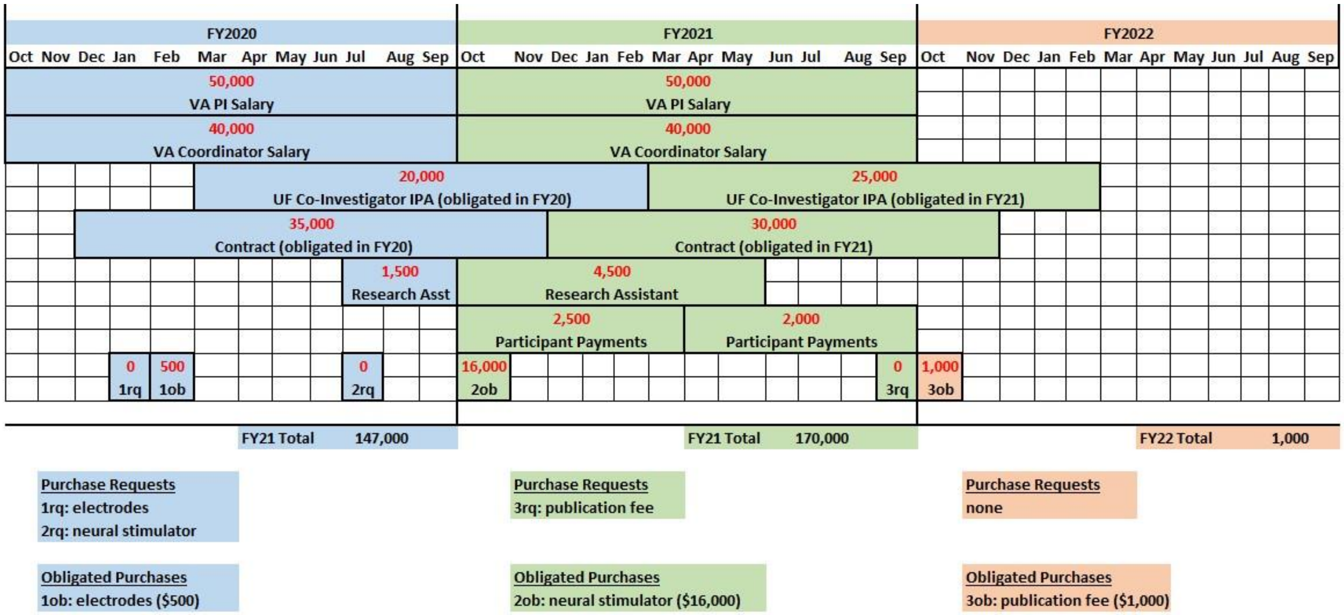
Redistribution - when funds allocated to a particular fiscal year are moved to a future fiscal year.

Vendor – an external organization that provides goods or services.

Addendum 1. Conceptual illustration of award spending

Please note the following:

- Funding for VA salaries are obligated and spent in the same fiscal year.
- Funding obligated for IPAs and contracts in a given fiscal year are often partially spent in the following fiscal year. However, it is also possible to divide IPA costs into quarters (i.e., 3 month increments) and distribute those costs across the separate budgets of two fiscal years. This option is *not* shown in the figure below.
- Purchase requests (shown as 1rq, 2rq, 3rq) do not immediately obligate funds. Actual obligation of funds may be delayed by weeks or months after the purchase request (shown as 1ob, 2ob, 3ob). A purchase requested near the end of a fiscal year may not be obligated until the following fiscal year (see examples 2ob, 3ob).


FY2020
FY2021
FY2022
Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep
Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep
Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep
50,000
VA PI Salary
50,000
VA PI Salary
40,000
VA Coordinator Salary
40,000
VA Coordinator Salary
20,000
UF Co-Investigator IPA (obligated in FY20)
25,000
UF Co-Investigator IPA (obligated in FY21)
35,000
Contract (obligated in FY20)
30,000
Contract (obligated in FY21)
1,500
Research Asst
4,500
Research Assistant
2,500
Participant Payments
2,000
Participant Payments
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1rq
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1ob
0
2rq
16,000
2ob
0
3rq
1,000
3ob
FY21 Total 147,000
FY21 Total 170,000
FY22 Total 1,000
Purchase Requests
1rq: electrodes
2rq: neural stimulator
Purchase Requests
3rq: publication fee
Purchase Requests
none
Obligated Purchases
1ob: electrodes ($500)
Obligated Purchases
2ob: neural stimulator ($16,000)
Obligated Purchases
3ob: publication fee ($1,000)