AISL Solicitation 22-626
Budget Presentation

Part 4 of 4

- Common budget pitfalls & related documents
- New: NSF guidance on receiving NSF funding

Dr. Ellen McCallie, AISL PO
Budget Webinar Overview

Purpose:

• Provide support for writing clear, solid budgets, that align proposals with equity in mind

Agenda:

• Reminders about the AISL Program (Part 1)
• Attending to equity in a proposal & budget (Part 1)
• Preparing a budget and budget justification (Part 1)
• Budget preparation, line by line, including budget justification (Part 2: A-F)
• Budget preparation, line by line, including budget justification (Part 3: G)
• Common budget pitfalls & related documents (Part 4)
• New: NSF guidance on receiving NSF funding (Part 4)
Common budget pitfalls/red flags

• **Going for the maximum:** Reviewers and program officers can tell when proposers are aiming to get the most out of NSF.
  - “Proposals that request the highest level of funding are particularly expected to discuss the need for resources.”

• **Right-sizing budgets**
  - Asking for too much
  - Not asking for enough

• **Project timelines:** Do you really need 4 years to accomplish what you can do in 3? Is three years enough time for data collection and analysis?

• **Inequitable budgets:** Is there systematic devaluing of some stakeholders or partners? Who is determining budgets and scopes of work?

• **Start preparing your budget now:** Don’t wait until the week before the proposal deadline!
Funding for the following is not supported by this program:

- capital or general operating expenses;
- purchase of major or office equipment (including home office);
- vehicles;
- undergraduate tuition;
- paid advertising;
- admissions or similar fees;
- proposals whose primary focus is health or medicine, or
- proposals that are only about publishing books.

Funding for expenses related these activities are only supported if they are integral to support research and development efforts aligned with AISL goals for proposals and only for the additional costs needed to support the R&D:

- school field trips, camps, science festivals, science fairs or competitions.
All proposal submissions are required to include this document:

- Used to assess the adequacy of the resources available to perform the effort proposed.
- Should describe only those resources that are directly applicable to the project.
- Proposers should include an aggregated description of the internal and external resources (both physical and personnel) that the organization and its collaborators will provide to the project, should it be funded.
- Other resources/funding: *Must not include any quantifiable financial information*.
Proposal Review Process and Timeline
Pre-award Reviews

https://new.nsf.gov/funding/merit-review#pre-award-reviews-b67

Or, can my organization likely receive NSF funding?

Pre-award reviews

If NSF is considering awarding you a grant or cooperative agreement, it may undertake one or more of the following reviews to assess your organization’s ability to administer an NSF award:

- **Proposal budget review**
  NSF will assess your proposed budget to ensure the costs are reasonable, allowable and allocable.

- **Financial capability review**
  NSF will assess whether your organization has adequate financial resources or the ability to obtain resources necessary to administer the proposed project.

- **Accounting system review**
  NSF will verify your accounting system’s ability to manage federal funds, in accordance with applicable regulations and award terms and conditions.

Additional resources

- Frequently asked questions: Proposal and award policies and procedures
- Prospective New Awardee Guide
Overview & Purpose

• Proposal Budget Reviews assess an awardees proposed award budgets to verify that costs are reasonable, allowable, and allocable in accordance with federal regulations and NSF guidance.

• Proposal Budget Reviews typically include the following:
  • Overall Reasonableness amounts of the proposal budget line items, e.g. subawards, appear to correspond to the objectives of the proposed award.
  
  • Allowability selected costs are evaluated to determine their allowability based upon the applicable Federal Cost Principles, NSF-specific terms and conditions, and award specific terms and conditions (if any).

  • Allocability individual costs are assignable or chargeable to one or more cost objectives based on relative benefits received. A cost is allocable if it is incurred specifically for the project. A cost is also allocable if it is necessary to the indirect cost rates. overall operation of a business, even though a direct relationship to any particular cost objective cannot be shown. These types of costs are generally not allowable as a direct charge, but may be allocated based on established indirect cost rates.
Overview & Purpose

To verify that a prospective awardee is financially stable, has sufficient resources to complete its proposed research program, and has sufficient funds to pay operating expenses. The evaluation of financial capability of a prospective awardee is of particular importance and requires more detailed analysis when the prospective awardee:

- Is a newly formed organization;
- Has not implemented any NSF-funded awards with NSF within the preceding 24 months; and,
- Is applying for a Small Business Innovation Research (SBIR) or a Small Business Technology Transfer (STTR) award.
Topics covered by the review

• The review includes an analysis of a prospective awardee's solvency, debt obligations, liquidity, historical profit and loss, cash flow, operating trends and financial commitments.
  • Requires financial statement submission and performs an analysis for the two most recent accounting years following a two-step process.

• The review of financial statements
  • including an assessment of an organization's tax returns, recent audit reports, balance sheets (assets, liability, and equity), income statements, detailed budgets for the proposed project period, documentation relating to existing or contemplated credit or financing arrangements or changes in financial position and a review of funding from other federal agencies for indications of financial difficulty.

• If significant indications of financial difficulty are found in step 1, there is a secondary review, such as cash flow forecasts, pending proposals and/or any other potential of funding, loans and details on liabilities.

• Additionally, if a prospective awardee has little or no funding history with NSF, there is an assessment of what, if any, prior experience the prospective awardee has in managing federal funds in order to:
  • Better understand the organization's financial capability
  • Identify other information and events that suggest an organization is stronger than indicated in the financial statements.
  • Understand management's plans for improving the organization's financial position
Overview & Purpose

- Review of an awardee's accounting system to verify that the organization is likely to be able to manage Federal funds in accordance with applicable regulations, terms, and conditions.
- NSF will not issue an award to an organization that cannot demonstrate that they maintain a project cost accounting system that meets these standards (e.g., that the accounting system segregates costs by project or award.)

Topics Covered

Verify that the organization's accounting system provides for:

- Detailed budget preparation with proposed costs, based on actual supportable cost data.
- Classification of expenditures as direct, indirect, or unallowable costs, typically through a cost policy statement, as well as processes and procedures for classifying costs as direct, indirect, or unallowable as they are incurred.
- A system for accounting of costs by project/grant/funding source and by NSF budget line item expense category.
- Complete and accurate financial reports (including balance sheets and income statements, project cost ledger or account summary reports).
- Maintenance of adequate source documentation supporting all expenditures claimed on awards and cost sharing, when cost sharing is required under an NSF award.
- Internal controls and segregation of duties to ensure that no one employee has complete control of accounting transactions.
Questions about Pre-award Reviews?

[Link to NSF Pre-award Reviews]

Or, can my organization likely receive NSF funding?

Pre-award reviews

If NSF is considering awarding you a grant or cooperative agreement, it may undertake one or more of the following reviews to assess your organization’s ability to administer an NSF award:

- Proposal budget review
  NSF will assess your proposed budget to ensure the costs are reasonable, allowable and allocable.

- Financial capability review
  NSF will assess whether your organization has adequate financial resources or the ability to obtain resources necessary to administer the proposed project.

- Accounting system review
  NSF will verify your accounting system’s ability to manage federal funds, in accordance with applicable regulations and award terms and conditions.

Additional resources

- Frequently asked questions: Proposal and award policies and procedures
- Prospective New Awardee Guide
PROSPECTIVE NEW Awardee GUIDE

Table of Contents

Section A: Overview and Basic Information ............................................ 4
1. Overview ....................................................................................... 4
2. Federal Requirements .................................................................... 4
3. NSF Points of Contact and Frequently Asked Questions ................. 4

Section B: Grantee Standards ................................................................. 6
1. Financial Viability .......................................................................... 6
2. Financial Management, Accounting System and Internal Control Requirements ................................................................. 6
3. Allowable Costs ............................................................................ 7
4. Compensation -- Personal Expenses ........................................... 7
5. Participant Support ........................................................................ 8
6. Subaward and Subrecipient Monitoring ....................................... 8
7. Cost Sharing Requirements .............................................................. 9
8. Program Income ........................................................................... 10
9. Audits of Federal Awards ............................................................... 10

Section C: Indirect Costs ................................................................... 11
1. Overview ....................................................................................... 10
2. Support of Indirect Cost Rate ....................................................... 11
   Organizations with a Negotiated Indirect Cost Rate Agreement (NICRA): ............................................................... 11
   Organizations without a Negotiated Indirect Cost Rate Agreement ................................................................. 11
3. Types of Indirect Cost Rates Used on NSF Awards ....................... 12

SECTION D: NEW Awardee CHECKLIST .............................................. 13

Appendix 1: Awardee Organization and Management Summary

Appendix 2: Small Business Declaration

Appendix 3: Financial Management Systems Questionnaire (FMSQ)