



University of California  
Office of the President

Senior Vice President—  
Business and Finance

Research Administration Office

# Memo

## Operating Guidance

No. 99-03  
May 18, 1999

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### CONTRACT AND GRANT OFFICERS (CAMPUS AND LAB)\* VICE CHANCELLORS--ADMINISTRATION

**Subject:** NIH Modular Grant Applications and Awards

The National Institutes of Health is implementing its modular grant application process for all competing research project grants and Request For Applications (RFAs) requesting direct costs up to \$250,000 in any year. Enclosed are some materials providing specific details of this new process:

- (1) NIH Modular Research Grants Frequently Asked Questions;
- (2) NIH Guide: Treatment of Administrative and Clerical Salaries under NIH Grants and Cooperative Agreements;
- (3) NIH Review of Modular Research Grant Applications; and
- (4) Overview and Summary of Changes prepared by the Research Administration Office.

The purpose of this memo is to highlight significant changes and address current issues of interest to Contract and Grant officers. Because the modular grant process represents a major change, we see this as an opportunity for implementing modifications to existing application and award administration practices.

### CAMPUS GUIDANCE

The following recommendations are provided for your consideration in the implementation of NIH's Modular Grant Application and Award process:

- Budget for Salary Escalations Before Determining Number of Modules Required: Previously, a budget request for the first year would be developed, and then cost escalations incorporated into the successive years. Under the Modular Grant, total project costs for the entire multi-year period must be developed. The total cost, including projected escalations for the out years, is then divided by the number of years, and rounded up to the nearest \$25,000 module. This is a major change. We recommend that you make sure departmental personnel understand that annual modular budgets are average budgets for the entire award period and that salary escalations result in a request for more modules than needed for costs in the beginning years to cover escalations in future years. Underbudgeting will result if the department prepares a first year budget, and then selects the number of modules required to cover the cost. Refer to Modular Research Grants Frequently Asked Questions Budgetary Issues #6 (Enclosure 1).
- Include Escalations for Consortium Participants Before Rounding to Nearest \$1,000: The annual, average Consortium/Contractual cost, including the F&A cost, must be presented on the budget

\*Note: The addressees above represent the standard distribution of Contract and Grant Memos. Additional addressees, if any, may be added based on the subject of the Memo. See cc's.

justification page, rounded to the nearest \$1,000. As such, the consortium institution will need to prepare an estimated total award budget for the entire period, including out year escalations, and then divide by the number of years to derive the average annual cost of the consortium activity. While the consortium expense is estimated to the nearest \$1,000, the cost of the consortium activity is then included in the total University direct costs to derive the number of modules required.

- **Discontinue Showing Academic Year Voluntary Effort:** For academic nine-month appointees, we recommend that you discontinue the practice of calculating academic year and summer month components of effort to derive the average percent effort provided in the modular budget justification. For example, if past practice on the detailed budget was to show 9 months at 10% effort with no salary requested and 3 months at 100% with 100% salary requested, the average effort devoted to the project would have been 32.5% (100% times 3 months, plus 10% times 9 months, equals 390% over twelve months). Instead, we recommend that the modular grant budget justification merely reflect the average effort to be charged to the NIH award. Using the same example, the modular grant budget justification would show 25% effort (100% times 3 months equals 300% over 12 months). The most recent NIH Q & A document suggests that academic and summer effort should be separately identified on the budget justification. We believe this is inconsistent with the notion of modular budgets and is contrary to the recent recommendation of the National Science and Technology Council Report on Reviewing the Federal Government-University Research Partnership for the 21<sup>st</sup> Century dated April 1999. Therefore, we continue to recommend that only the average, annual budgeted effort amount be shown. However, since the justification is to be provided only for items included in the budget, another approach would be to show 100% requested reimbursement for summer effort and 0% requested budget for the academic year. Regardless of whether the average annual effort or a break-out of the summer and academic year effort is provided, it is recommended that only budgeted effort be itemized and no commitment to cost-shared effort be documented on the budget request justification. This approach will greatly reduce the University audit exposure and reduce the accounting burden for award administration.
- **Use NIH Salary Cap in Preparing Both Modular Requests and Regular NIH Budgets:** The NIH salary limitation continues to apply. It is recommended that you use the capped rate (currently \$125,900) in preparing the modular budgets. Further, for projects exceeding \$250,000 for which detailed budgets are required, it is recommended that campus departments no longer use the actual salary rate in preparing the budget, relying upon NIH to reduce the request to the allowable salary cap. Instead, all budget requests, whether modular or in detail, should be prepared using the applicable salary cap.
- **Prior Approval Required for Direct Charge of Administrative and Clerical Costs:** Administrative costs must be budgeted and spent in compliance with NIH Guide, Volume 23, Number 34, September 23, 1994. (See Enclosure 2) Prior approval for these costs may be secured when the nature of the work performed requires an extensive amount of administrative or clerical support significantly greater than the routine level. The basis for charging these costs has not changed. What has changed is the mechanism for agency approval of these costs. Because a detailed budget and budget justification for these costs is not submitted to NIH, when the circumstance for charging administrative costs is not covered in any of the specific examples provided by NIH in the attached

notice, you will need to contact NIH for agency approval. See NIH's Frequently Asked Questions, Budgetary Issues #10 (Enclosure 1).

Please send any questions or further suggestions for improving the University's implementation of modular grants to Meredith O'Connor. It is expected that as both the NIH and the Universities have more experience with modular grants, further refinements and improvements of the process will occur.

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Enclosures: