EVALUATION OF PROPOSED COSTS AND FINANCIAL GRANT MANAGEMENT CAPABILITIES: RESEARCHER GUIDELINES AND RESOURCES

The Water Research Foundation, in discharging the public trust through both subscriber and government funding, is obligated to assess both the technical merit and the proposed costs of research proposals, as well as the financial grant management capabilities of proposing organizations. **The purpose of this document** is to summarize the Foundation's policy and process for:

I. **analysis of research proposal costs (budget)**,

II. **assessing the financial grant management capabilities** that must be demonstrated by each successful proposing organization, and to

III. list some **possible educational resources** for the development of those capabilities.

A successful proposer (sub-recipient) and proposal will meet technical, cost, and financial grant management capabilities criteria. These criteria, which provide the basis for proposal review and selection, are identified in the Foundation's:

- Request for Proposal (RFP),
- Proposal Guidelines, and
- Project Funding Agreement (PFA).

Section I: Analysis of Research Proposal Costs (Budget)

The budget and budget narrative are the cost expressions of the proposed project and must undergo a cost analysis that may include (but is not limited to) the following:

- verifying cost data;
- evaluating specific elements of cost; and
- examining data to determine the necessity, reasonableness, and allocability of costs in the budget and their allowability under applicable cost principles.

This cost analysis is initiated through, and generally guided by, the proposer's *Budget and Budget Narrative forms* and other required stand-alone documents (indirect cost rate agreements, financial statements, etc.) submitted with the research proposal.

Section II: Assessing the Proposing Organization's Financial Grant Management Capabilities

In evaluating the research proposal, the Foundation must review the financial grant management capabilities of the proposing organization. In essence, the Foundation makes a risk assessment, as an integral part of its sub-recipient monitoring strategy, as to the likelihood that a sub-recipient can comply with the administrative, financial, and program (project) requirements contained in the Project Funding Agreement.

To assess financial grant management capabilities, the Foundation has adopted the federal administrative requirements and cost principles as standards against which all proposing organizations and their proposals are reviewed, as follows:

Recipient	Administrative Requirement	Cost Principles	Audit Requirements
State, Local, or Indian Tribal Government	OMB Circular A-102	2 CFR Part 225	OMB Circular A-133
Non-profit Organization	2 CFR Part 215	2 CFR Part 230	OMB Circular A-133
Educational Institution	2 CFR Part 215	2 CFR Part 220	OMB Circular A-133
Hospital	2 CFR Part 215	45 CFR Part 74 Append. E	OMB Circular A-133
Commercial Organization	2 CFR Part 215	48 CFR Part 31.2	See "For-profit Audit Compliance"

Sub-recipient organizations must demonstrate general familiarity with their applicable administrative requirements and cost principles and an understanding of how these are relevant to the proposed project.

This assessment is initiated through, and generally guided by, the proposers *Financial Grant Management Capabilities form*, submitted as a stand-alone item within the research proposal. This form outlines some of the basic knowledge, systems, policies and procedures that are evaluated to establish whether or not the applicant is capable of meeting the criteria outlined in the Foundation's Project Funding Agreement.

The Foundation encourages all potential proposing organizations to undertake a basic **self-assessment** to determine their level of familiarity

and compliance with the federal administrative requirements and cost principles. A possible guide to conducting such a self-assessment would be the Foundation's Financial Grants Management Capabilities form in concert with a review of the applicable administrative requirements and cost principles.

Section III: Third Party Educational Resources

While the Water Research Foundation is not able to provide education and training in grants management to prospective proposers, we can answer specific questions related to our RFPs.

The Foundation recommends that prospective proposers investigate third party programs and materials designed to educate researchers on the management of federal financial assistance awards and subawards. The following materials and training programs have been useful to Foundation staff. The Foundation cannot make any specific representation as to their effectiveness in preparing your organization to manage Foundation awards.

➢ **The Federal Uniform Administrative Requirements and Cost Principles are the basis for any grants training**. Following are links to the regulations that provide basic grant management requirements.

1. **Uniform Administrative Requirements** 2 CFR 215 (OMB A-110) available at http://www.whitehouse.gov/omb/assets/omb/circulars/a110/2cfr215-0.pdf

   ▪ The Uniform Administrative Requirements apply to commercial entities, educational institutions, and non-profit organizations. The Administrative Requirements provide the Water Research Foundation with the fundamental criteria for assessing whether an entity has the capabilities to manage awards under the Foundation's guidelines.

2. **Cost Principles**

   ▪ Commercial Entities: see 48 CFR 31.2 (FAR 31.2) available at http://www.arnet.gov/far/current/html/Subpart%2031_2.html

   ▪ Educational Institutions: see 2 CFR 220 (OMB A-21) at http://www.whitehouse.gov/omb/rewrite/circulars/a021/a021.html

- Non-profit Organizations: see 2 CFR 230 (OMB A-122 at http://www.whitehouse.gov/omb/rewrite/circulars/a122/a122.html

3. **Audit Requirements**

- Educational Institutions and Non-profits subject to the Single Audit Act: see OMB Circular A-133 available at http://www.whitehouse.gov/omb/rewrite/circulars/a133/a133.html

- Commercial Entities and all other entities not subject to OMB A-133, are required to submit their Financial Statements and associated notes in accordance with the Foundation's Proposal Guidelines

  Prospective researchers are encouraged to review and become familiar with the audit requirements applicable to their organization. An effective way to do this is to review your organization's latest audited financial statements.

➤ The Environmental Protection Agency offers free online training, "**Grant Management Training for Non-Profit Applicants and Recipients"** at http://www.epa.gov/ogd/training/index.htm This short online program provides an introduction to grants management. For-profit subrecipients will need to augment this training with a review of 48 CFR 31.2 in order to address some of the issues not addressed in this non-profit oriented training program.

➤ Thompson Publishing and Thompson Interactive – provides grants management training through printed and audio materials at www.thompson.com and www.thompsoninteractive.com Click on the Grants tab on each site.

➤ In our experience, the following two part strategy is a good start towards **developing basic in-house expertise in the management of subawards** (essentially, grants management).

1. SELECT A GRANTS MANAGEMENT EMPLOYEE – This is not necessarily a full time position, but you need someone who is:

- familiar with accounting and budgeting concepts

- capable of learning and performing the grants management responsibilities

- good at process development, documentation and implementation, and

- good at keeping you and other employees informed as to requirements and process.

2. FORMAL BASIC GRANT MANAGEMENT TRAINING for the Grants Management Employee - "Management Concepts" is a trainer that we have used. While they offer a full grants management training program for professional grant managers, you may find that the following courses would provide the fundamentals that will help you to begin to develop your grant management capabilities. To see the courses go to http://www.managementconcepts.com and select "Offerings by Topic," then "Grants and Assistance," then "Grants Management Certificate Program," then "Recipient." This series of courses is designed for employees of organizations that receive federal funds, either directly from a federal agency or from a pass-through entity [such as the Foundation], and use those funds to perform programmatic [such as research project] work.

   - The following courses under the Recipient Track may be helpful:

      - Business Management Systems for Grant Recipients (may be available online)

      - Uniform Administrative Requirements: OMB Circular A-102 and 2 CFR Part 215 (may be available online)

      - Cost Principles: 2 CFR Part 220 (A-21), 225 (A-87), 230 (A-122), and FAR 31.2 (may be available online)

   - These courses are directed primarily to first tier, non-profit, educational and government recipients of federal funding, but for-profit (commercial) entities may also find them helpful for understanding and meeting business system, administrative and cost requirements in 2 CFR 215.

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