



DEPARTMENT OF THE ARMY
US ARMY MEDICAL RESEARCH ACQUISITION ACTIVITY
820 CHANDLER STREET
FORT DETRICK MD 21702-5014

FCMR-AAP-D

24 March 2020

MEMORANDUM FOR UNITED STATES ARMY MEDICAL RESEARCH ACQUISITION ACTIVITY (USAMRAA) ASSISTANCE AGREEMENT PERSONNEL AND PROGRAM OFFICE CUSTOMERS

SUBJECT: Assistance Advisory Notice (AAN) 20-01, Pre-award Budget Reviews

1. PURPOSE. This AAN specifically clarifies the Grants Officer's Representative (GOR)/Science Officer's (SO)¹ and the Grants Officer's (GO) roles, responsibilities, and limitations of authority, respectively, in reviewing and negotiating application budgets for grant and cooperative agreement awards. AAN 20-02, and its enclosures addresses the general extent and limitations of the GOR and/or SO's authority in administering assistance awards.

2. GENERAL. The GO and Grants Specialist (GS) are the only individuals authorized to conduct budget negotiations with applicants and approve an application budget. Further, only the GO may award funds to an organization. The GO/GS's budget review focuses on compliance with applicable federal assistance regulations balanced with sound business judgement. The GOR/SO advises and assists the GO/GS in reviewing budgets from a scientific and programmatic perspective.

3. GO ROLES AND RESPONSIBILITIES.

a. The GO² and/or GS conducts the primary application budget review applying the cost principles contained in Federal Acquisition Regulation (FAR) 31.2 for commercial applicants and in 2 Code of Federal Regulations (CFR) Part 200 for all other types of applicant organizations. The GO will analyze and exercise his/her best business judgement in considering whether budget items and costs are reasonable, necessary, allocable, and allowable to the proposed project. He/she will also check all calculations

¹ The terms "GOR" and "SO" are used together throughout this AAN to clarify that these officials have the same responsibilities in the pre-award application budget review process although these positions may have distinct duties from a human resource perspective and the organizational structure within their employing program office.

² GSs may assist GOs with pre- and post-award processes, including budget reviews. Although only "GO" is generally used in this notice, a GS may serve as the point of contact for SOs/GORs in carrying out budget reviews and conducting and discussions with applicants, determining applicant qualifications, and evaluating recipient risks. The GO retains authority for award issuance.

within the proposed budget. The GO/GS is the individual authorized to conduct budget discussions and negotiations with applicants in this process.

b. As per 32 CFR §22.410, the GO is responsible for determining a recipient's qualification prior to award. The GO's signature on the award document shall signify his/her determination that either:

(1) The potential recipient meets the standards in §22.415 and is qualified to receive the grant or cooperative agreement; or

(2) An award is justified to a recipient that does not fully meet the standards, pursuant to §22.405(b). In such cases, the GO shall document in the award file the rationale for making an award to a recipient that does not fully meet the standards.

c. Additionally, the GO must ensure the potential recipient meets the standards specified in §22.415 and that he/she adheres to the pre-award risk-related procedures stated in §22.405. See Vol. I, Part 22, Subsection 4: Recipient Qualification Matters, for further information.

4. GOR/SO ROLES, RESPONSIBILITIES, AND LIMITATIONS.

a. The GOR/SO acts as an advisor to the GO during the pre-award budget review process. The customer must designate a GOR/SO(s) for each assistance application approved for funding.

b. The GOR/SO must conduct a scientific and administrative review of the budget for grant and cooperative agreement applications. Scientific expertise should drive the GOR/SO(s)'s assessment of the reasonableness and necessity of the costs identified in an application budget.

c. The GOR/SO must document concerns regarding the budget along with his/her advice or recommendations for addressing those concerns and submit them to the USAMRAA GO. If additional changes are required after initial notes are submitted but while negotiations are ongoing, they should be documented and forwarded as soon as possible. If the additional notes are regarded as a change that will have a major effect on negotiations, USAMRAA should be notified immediately that there is an important update. The GO will determine how to proceed in the negotiations from the input and notes provided. A revised budget may also be submitted, for example, during change of institution, re-allocation of funds (e.g., re-allocate personnel money to materials and supplies), revised Statement of Work (SOW), and increase or decrease Principal Investigator (PI)/key personnel's levels of effort. All revised budgets should be directed to the GO. The GOR/SO will recommend approval/disapproval or further revision.

d. The GOR/SO must inform the GO immediately if he/she becomes aware of actual or potential conflicts of interest with an organization or key project personnel that could affect or appear to affect his/her ability to impartially review the application budget.

e. The GOR/SO must also communicate any issues or concerns regarding overlap (i.e., overlap in funding, both in PI level of effort as well as grant content with other projects funded by his/her office and outside agencies/foundations) in the notes to USAMRAA.

f. All matters pertaining to the application are confidential. Release of any information relative to any aspect of the application to parties outside of the federal government or the applicant's authorized organizational representative or project PI(s) is subject to prior review and clearance by the GO. The GOR/SO may be personally liable for unauthorized acts.

5. GUIDANCE FOR GORs/SOs ON SELECTED BUDGET ISSUES. Federal regulations for assistance award cost principles are generally less prescriptive and afford more flexibility to recipients – provided recipient financial control systems meet minimum standards and they adhere to the same organizational financial and accounting policies in administering federal assistance funds that they do for their other funding – compared with the FAR which governs contracts. It is important that GORs/SOs and GOs keep this in mind when reviewing an assistance application budget—especially if he/she has both types of award instruments in his/her portfolio or previous experience was primarily in acquisition.

a. *Recipient Budget Flexibility.* Federal regulations allow grant and cooperative agreement recipients to “re-budget” funds across direct cost categories unless the Federal agency chooses to prohibit such authority. The Department of Defense (DoD) and Department of Army (DA) have opted to give assistance recipients this budgetary flexibility. Per 2 CFR §200.308(a): “The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions, and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than consistent with the appropriation.”

b. *Total Cost.* The purpose of an assistance agreement is to transfer a thing of value to the recipient to carry out a public purpose of support or stimulation authorized by a law of the United States, rather than to acquire property or services for the DoD's

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direct benefit or use. The objective of an assistance application budget review and negotiation is not necessarily to get the recipient to lower its proposed budget as is sometime the case with acquisitions. DoD assistance regulations prohibit organizations from receiving profit through grants and cooperative agreements. Reducing the applicant's total budget should not be a GOR/SO's goal/reward for grants/cooperative agreements. However, if the Program Announcement (PA) or the Broad Agency Announcement (BAA) specifies a direct or total cost limit and the applicant's budget exceeds that limits, the GOR/SO may advise the GO on modifications to negotiate with the applicant to bring the budget within the limit but still allow the organization sufficient funds to accomplish the scientific aims and objectives of the proposed project.

c. Discrepancies Between the Budget and SOW. GORs/SOs are encouraged to cross-check items specified in the application budget against those identified in the SOW. While direct budget negotiation with an applicant to clarify and correct such discrepancies is a GO duty, GORs/SOs should look for instances when different items (e.g., different pieces of equipment) are proposed for the same work and/or the same item is proposed but with inconsistent units/amounts stated in different parts of the application, and provide more reasonable and necessary recommendations to the GO.

d. Program-specific Budget Requirements. GORs/SOs should check whether the budget adheres to program-specific budget requirements stated in the PA/BAA. Examples of such requirements include, but are not limited to: a direct or total cost limit; mandatory travel of an investigator(s) to a specified conference(s), seminar(s), or symposium(ia); separate budgets and justifications specific to their distinct portions of the effort for multiple PI mechanisms; any costs prohibited under the PA/BAA, e.g., clinical trial costs; etc.

6. PROPONENT. The proponent for this AAN is the Chief, Grants Execution Oversight, Ms. Jennifer Cramer, 301-619-7145.

//ORIGINAL SIGNED//
CHRISTOPHER E. SHERMAN
Acting Senior Contracting Official