Carryforward Basics

A detailed guide to NIH Carryforward requests

What is Carryforward?

- Carryforward is a process through which unobligated funds remaining at the end of one budget period may be carried forward to any subsequent budget period.
  - If a project requires more funding than is available in a subsequent year's budget, and there are unspent funds from a prior year, reallocating all or part of those unspent funds to a later budget period is Carryforward.

- Depending on the terms and conditions of the award, Carryforward <u>may</u> require a prior approval request from the funding agency before funds can be reallocated to a subsequent budget period.
  - Note: Prior approval is <u>NOT</u> required to carry forward funds under awards that allow automatic carryforward (i.e. awards under Streamlined Non-Competing Award Process or "SNAP"), but if there is a residual balance of greater than 25% reported on the RPPR, prior approval may be required on a case-by-case basis as determined by the Grants Management Specialist.

- NIH has tried to be more transparent in recent years.
  - PMS can now track the rate of spending ("burn rate") throughout the life of the award and can see how much a PI has spent in each year.

Correcting Common Misconceptions

- You do not have to request to carry forward all unobligated funds from previous budget periods.

- You must demonstrate a <u>current need</u> for the funds. Do not request all the unobligated funds unless you have a clear plan for how to spend them.

- There must be a clear plan for spending all Carryforward funds requested, and that plan must be followed.

- NIH funds do not expire in PMS if you do not request Carryforward of the funds or if a Carryforward request is denied.

  - **Example #1**: You can request Carryforward from year 1 into year 2. In year 3, you can also request Carryforward of unspent funds from both year 1 and year 2.
  - **Example #2**: You request Carryforward of $100,000 from year 1 into year 3. The GMS approves Carryforward of only $75,000 based on the request. You can request Carryforward of the remaining $25,000 from Year 1 at any time provided you can demonstrate current need and have sufficient justification.

Correcting Common Misconceptions (cont.)

- The only way you "lose" the funds is if NIH formally de-obligates the funds with a revised NOA **or** if the funding is part of a cancelling appropriation (funds de-obligated in PMS, but no revised NOA).

  - Funds typically cancel 5 years after the appropriations they were issued under.

  - Funds typically cancel as of 7/1 of any given year for NIH, and final drawdown of funds for that year must occur **prior to** 7/1.

  - NIH will typically allocate funds on a year over year basis, which means only year 1 funds are cancelling after 5 years.

  - This is a **hard deadline**, and cannot be extended via NCE or any other extension (award end dates can be extended after the cancel date, but we must draw all funds prior to the cancel date).

Offsets vs. Carryforward

Many people use the terms "Carryforward" and "Carryover" interchangeably but there is a key difference between the terms from Harvard's perspective.

- **Carryforward** is moving unobligated funds from one year to a subsequent year.

- **Carryover** is synonymous with an offset, which <u>reduces the total amount</u> of federal funds obligated to date ("TAFFOD") of the award by the amount of the unspent balance between years.

  - **Example #1 (Carryover/offset):** PI John Harvard is in year 3 of an NIH award. For each year of the award he was to receive $100,000 in total costs, but he had an unspent balance of $43,000 in year 1. The GMS and PO are concerned with his progress and his plans for spending, so they decide to offset the funds in year 3. The year 3 NOA comes in and awards $57,000 in new funds and offsets the remaining funds of $43,000 from Year 1. John Harvard still has $100,000 available to spend in year 3 but the TAFFOD is now $257,000 instead of $300,000.

When Is Prior Approval Required?

The Notice of Award will indicate whether or not Carryforward of unobligated funds into subsequent years is restricted.

- If the NOA does not impose restrictions on Carryforward we refer to the award as having "automatic" Carryforward and Prior Approval is <u>not</u> required.

- If the NOA does restrict Carryforward to only that which is specifically permitted by the sponsor, Prior Approval <u>is</u> required.

GMAS Accounts: Year vs. Task Logic

Accounts are set up differently in GMAS based on whether Carryforward is automatic or not:

- If Carryforward is restricted, we refer to the account setup at HMS as "Year Logic"
- If Carryforward is automatic, we refer to the account setup at HMS as "Task Logic"

- In GMAS, you can tell if an account is Year or Task Logic by looking at the subactivity value:

  - Year Logic would be represented as 0101, 0201, 0301, etc.
  - Task Logic awards would be set up with the main account as 0001. Part-of accounts, subawards, and other subactivities would be 0002, 0003, etc.
  - Year Logic awards are set up with multiple Account Groups in GMAS so that subactivity values are grouped by the "year" they are associated with. OSP schedules financial deliverables based on Account Group.

Requesting Carryforward

- If the NOA restricts Carryforward, you cannot carry forward funds from previous budget periods without <u>prior approval</u> from the sponsor.
  - For federal awards, you need to submit a formal request for Carryforward; mentioning Carryforward in the RPPR is not sufficient.

- A formal Carryforward request must be reviewed, signed, authorized, and submitted through the Office of Research Administration.

- For federal awards, you cannot submit a Carryforward request until the FFR has been **submitted** (sequential years) or **accepted** (non-sequential years).
  - Note: The Carryforward request will not be processed by the federal awarding agency until the FFR has been approved but submitting early can help resolve questions and reduce delays.

Creating the Formal Prior Approval Request

- The PI must draft the formal Carryforward request letter, with appropriate justification; the department should provide a Word version to the ORA Grants and Contracts Officer/AMS.

- The justification should include:

  - Reason for the unobligated balance
  - Scientific justification as to why the research would benefit from Carryforward of funds
  - Explanation of any resulting changes to the project (SOW, timeline, personnel, etc.)
  - Include a <u>complete</u> detailed budget

    - **Note**: Budgets cannot list personnel as "TBD." You must demonstrate a current need for the funds, and "TBD" personnel do not meet that criteria because we still must complete the hiring process, onboarding, etc.

- The date on the Carryforward request and detailed budget must be the date of the request submission. <u>You cannot backdate a Carryforward request</u>.

  - **Example**: Year 2 started on 1/1/19. The FFR for year 1 was accepted on 2/1/19. The GCO/AMS reviews the Carryforward request on 2/5/19 and is ready to submit on 2/6/19. The date on the Carryforward request must be <u>2/6/19 or later</u> or the agency will either pro-rate the amount requested to the date of submission or reject the request entirely

- Formal Carryforward request letters must be signed by both the GCO/AMS and the PI once they have been approved by the GCO/AMS for submission.

Carryforward in a Competing Renewal

- The authority to automatically carry forward unobligated balances to subsequent budget years includes the authority to carry forward funds from one competitive segment to another.

  - If the award does <u>not</u> provide automatic Carryforward, prior approval from the sponsor is required and a GMAS Carryforward Request must be initiated to move funds from one segment to the next.

  - If Carryforward is automatic, prior approval from the sponsor is <u>not</u> required and the Grants Manager will work with the OSP Financial Analyst to move the funds from segment to segment.
    - This is the only exception for when a GMAS Carryforward Request is <u>not</u> required.
    - OSP processes these requests since the obligations in GMAS must match the PMS to ensure all available funds are drawn on a timely basis.

GMAS Carryforward Requests

Enter Carryforward Request in GMAS and complete all required fields.

- Upload formal Carryforward request letter in Request repository (Word version) for GCO/AMS review.

- Required GMAS Request Signatories:
  - Department Approver
  - Grants & Contracts Officer/AMS

- Once the GCO/AMS has completed review of the Carryforward request letter, the letter must be signed by the PI and the GCO/AMS.

- GCO/AMS will submit the signed request letter to the sponsor and upload submission email to the GMAS Request repository.

- If and when the Carryforward request is approved by the sponsor, the Grants Manager will upload an Account Breakdown Template to the Sponsor Notice document repository showing the reallocation of funds between budget periods.

Expediting the GMAS Carryforward Request

- If Carryforward is anticipated at the time the RPPR is submitted, it is strongly recommended (but not required) that the Grants Manager initiate a Carryforward request in GMAS immediately.
  - This allows ORA to become aware of the Carryforward request early on and to review the request documents prior to the FFR being submitted.
  - After submission of the RPPR the Grants Manager is strongly encouraged to reach out to any subrecipients on the award and ask if they will be requesting Carryforward as well.
    - If a subrecipient is requesting Carryforward a note should be entered into the GMAS Request along with a budget and justification for the subrecipient.
  - The Grants Manager should formally submit the GMAS Carryforward Request in GMAS once the FFR has been submitted to NIH.

Department Resources for Carryforward Requests

- Additional Carryforward resources are available from ORA, including:

    - HMS Carryforward Process
    - Carryforward prior approval request letter template
    - Budget template
    - Account Breakdown Template spreadsheet

The Account Breakdown Template Spreadsheet

- A completed spreadsheet allows for quicker reviews by the GCO/AMS and faster processing by the Operations Team.

- The internal reallocation spreadsheet should reflect the justification in the Carryforward request and must be uploaded to the Sponsor Notice repository in GMAS.

Subactivity to carryforward FROM	Subactivity to carryforward TO	$ Amount to carryforward
0101	0201	25,000
0102	0202	66
0103	0201	423
0104	0201	623
0105	0202	6,822
	Total CF amount	32,934

Carryforward in a No-Cost Extension Period

- When the final budget period of an award is extended via no-cost extension ("NCE"), a Carryforward request is <u>not</u> required in order to use unobligated funds from that final budget period during the NCE period.

- However, if the PI wants to carry forward funds from a prior budget period into the final budget year which is being extended you will need to submit a Carryforward request.

  - **Example**: The PI wants to extend the award which is currently in year 5 for 12 months. PI also wants to Carryforward unspent funds from years 1 and 2 into the NCE period. An NCE/Carryforward combination request letter should be drafted with the reason for the unobligated funds, scientific justification, and detailed budget included.

Restricted Funds

If you are requesting Carryforward of restricted funds you have two options:

1. Keep the Carryforward funds restricted, per the terms of the original award, in the subsequent budget period.

2. In the Carryforward request you can also seek approval to lift the restriction and reallocate the funds to a different budget category.

   - **Example**: PI Smith has a restricted supplement on his award for the sole purpose of completing Project X. PI completed Project X ahead of schedule and under budget. There are $25,000 left unspent in the restricted supplement. The Carryforward request should note this and provide a strong scientific justification for why the funding agency should lift the restriction and allow the funds to be carried forward and used for a different purpose.

Carryforward Approval and Processing

- Funding agencies will issue a new Notice of Award approving the Carryforward.

  - The Grants Manager will upload the Account Breakdown Template to the Sponsor Notice repository in GMAS.

- The GCO/AMS will review the NOA and the Account Breakdown Template and send it to the Operations Team for processing.

- The Operations Team will review the Account Breakdown Template spreadsheet and reallocate the funds accordingly.

Questions?