

NIH LETTER OF CREDIT SUBACCOUNT TRANSITION INSTITUTIONAL LEADERSHIP UPDATE

In October 2013, the National Institutes of Health (NIH) initiated steps to transition to a subaccount based Letter of Credit (LOC) draw process to request reimbursement of funds for NIH awards. This transition will have a significant impact on research institutions in a variety of ways. Institutional leaders should ensure that their research administration units and departments are proactively preparing for this change in order to minimize the operational and financial impact.

What does this “transition” mean?

The process for requesting reimbursement (i.e. drawing funds) via the NIH’s web-based cash system, the Payment Management System (PMS), was previously a cumulative process (e.g. institutions can request a total of \$2 million in funds across 1,000 awards) with no detailed data required at the time of the draw. The process will now be much more detailed and in-depth, requiring funds to be requested on an award by award basis (e.g. \$12,754 for Award A, \$35,601 for Award B, etc.).

As a result, institutions can no longer “smooth” award specific issues in aggregated numbers. The draw process will include a more detailed reconciliation, requiring more effort and time on each institution’s part.

In addition, this change is a necessary precursor to the NIH’s stricter timelines for award closeout. Any payment requests for awards more than 90 days past the Project Period End Date will be held pending additional detail from the institution and approval by the NIH.

What does this change mean for my institution’s operations?

Starting in October 2013, new awards and competing continuations are drawn down via the subaccount process. Right now institutions are ramping up, and some have already seen a small number being drawn on this individual basis. Over the next year, the number of awards drawn on a subaccounting basis will steadily increase. And beginning in October 2015, the increase will be exponential as an institution’s full NIH portfolio is transitioned to the subaccount process, impacting up to several hundred awards.

This change means institutions will have to review and update their LOC draw processes to accommodate this long-term operational change, possibly including technology updates and enhancements to facilitate the process.

Institutions should review and tighten business processes impacting award closeout, including clarifying roles and responsibilities, enhancing tools and reports, and establishing formal procedures to ensure the stricter 90-day closeout timeframes are consistently achieved.

What does this change mean for my institution’s finances?

This is the time to review and fully reconcile all old NIH LOC accounts to ensure all reimbursement has been requested, received, and properly applied to reduce the risk of “leaving money on the table” or incurring institutional write-offs.

The stricter 90-day timeframe for closeouts can put institutions at risk for not receiving reimbursement for otherwise allowable award costs not processed within the closeout timeframe. This could represent significant financial write-offs or losses that can easily be avoided by well-established award closeout policies and procedures.

How can my institution be prepared for this change?

The change will continue to impact institutions until the transition concludes in September 2016, but now is the time for institutions to prepare for this change. Institutions should evaluate the readiness of a few key areas:

- Technology – How will your systems facilitate the draw for the new subaccount process?
- Processes – Are efficient processes developed and deployed to accommodate the stricter 90-day closeout timeframes?
- People – Does your research community understand the change and has it started to prepare?

In order to help our clients prepare for the change, Huron has developed a one-day review to evaluate your processes and status related to these core post-award functions. This review will help determine your institutional readiness for the change and what level of effort is needed to ensure you are ready to meet this change head-on with minimal financial and operational fall-out.

If you have any questions or wish to discuss these change in more detail, please contact [Marisa Zuskar](#) (p: 312-880-3393) or [Kevin Cook](#) (p: 312-880-3623) at Huron Consulting Group.