# SBIR Proposal Writing Basics: Good News About NIH Audits

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No, you didn’t misread the title of this article—we actually have good news about audits at the National Institutes of Health (NIH). Don’t believe us? Read on…

Unlike many other awarding agencies, audits of NIH SBIR/STTR projects are not conducted by government auditors. Many of the other agencies have the Defense Contract Audit Agency (DCAA) perform one or more audits, and report the findings back to the agencies making the SBIR/STTR award. These audits often are tripped by virtue of the award being a cost-based contract or grant, like a cost plus fixed fee (CPFF) contract usually used by DOD in Phase II. Instead, the NIH require that your company go find a qualified auditor who is in private practice, have him/her perform the audit, and report the findings back to NIH.

Historically, NIH required that you get such an audit when you receive $500,000 or more in Federal funds during your fiscal year’s time. That means most of you with only a single Phase I award from NIH would not have to worry about getting an audit, but Phase II winners often would—especially if your Phase II exceeds the $1 million guideline on these two year projects, or if you have a Phase I award running concurrently.

So what’s the good news? NIH now does not require an audit unless you receive more than $750,000 in Federal funds during your fiscal year. Check out the details for yourself at <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&ty=HTML&h=L&r=PART&n=pt45.1.75#sp45.1.75.f>, and scroll down to Section F on Department of Health and Human Services (DHHS) audits. So you can now accrue up to 50% more in Federal funds in your fiscal year before the NIH audit requirement kicks in.

This good news has two parts. First, the obvious good news is that you do not have to take time out of running and growing your small business to oversee and provide data to the auditor. Second, you can avoid the cost of such an audit, which could easily exceed $10,000.

Note that the threshold is $750,000 in Federal funds, not just NIH funds. There is a common belief that NIH does not require an audit unless you exceed the threshold in NIH grants and contracts, but we have confirmed with NIH that the appropriate measure is all Federal funds received during your company’s fiscal year.

We occasionally hear of other agencies that want an “external audit” of an SBIR or STTR award like NIH’s. If you become subject to such an audit, you should confirm with the agency if it has similarly raised the threshold to $750k.