OGC Team Talks

November 2026



Denver | Anschutz

Agenda

- Welcome and Opening
- Contracts Position
- Audit Update
- Letter of Credit Draws and Impact of Defend the Spend
- Questions

Denver | Anschutz

Audit Update

Denver | Anschutz

Letter Of Credit – Defend the Spend

- What is Defend the Spend?

Executive Order (EO) 14222, dated February 26, 2025, “Implementing the President’s ‘Department of Government Efficiency’ Cost Efficiency Initiative” (hereafter referred to as “DTS,” short for *Defend the Spend*) which aims to ensure transparency and accountability in federal spending. It includes a framework to assist recipients in preparing accurate and compliant written justifications for payment requests.

Denver | Anschutz

Letter Of Credit – Defend the Spend (cont.)

- What does this change for Letter of Credit draws?
- What agencies have implemented changes?
- How is OGC completing these justifications?
- What are specific agencies requiring?
- What is the overall impact on the Letter of Credit Draw?
- What can I do to make sure project expenses can be justified?



Denver | Anschutz

Letter Of Credit – Defend the Spend (cont.)

- **Prior LOC draw process.**
  - Draws are made by Subaccount i.e., Federal Identification Award Number (FAIN) assigned to a federal HHS grant.
  - Draw Amount = Total Expenses incurred and paid by Award.
  - *Approval of Draw by a Payment Management System representative.*
  - *Additional approvals required by GMS for expired funds.*

- **New requirements**
  - Justification Field for each FAIN included in the draw.
  - In some cases, a breakdown of expenses by budget category.
  - GMS or equivalent agency approval required for all FAINs, regardless of status.

Denver | Anschutz

Letter Of Credit – Defend the Spend (cont.)

What agencies have implemented changes?

- NIH Institutes and Centers
- CDC and affiliated agencies
- HRSA and affiliated agencies
- AHRQ
- SAMHSA
- Department of Education as of November 1, 2026
- ACF implemented then removed in Oct 2026



Denver | Anschutz

Letter Of Credit – Defend the Spend (cont.)

How is OGC completing these justifications?

NIH Justification Process

- Standard certification statement provided for each award.
- Certifies that expenses were incurred during the approved budget period.
- Confirms expenses support the approved scope of work.
- Departments remain responsible for ensuring costs are allowable, allocable, reasonable, and consistently applied.
- Includes explanations when funds are returned or expenses are removed from an award.



Letter Of Credit – Defend the Spend (cont.)

How is OGC completing these justifications?

- OTHER HHS Agencies
  - The office of Grants and Contracts worked on a query with Grants UIS team to pull expenses by category at a summary level for awards included in a draw.
  - Reviews the expense period to ensure it is accurately reflected in the justification.
  - Reviews any Subcontract payments to identify the subcontractor and the period.
  - Compiles the required information into a 1000-character justification.
  - Responds to inquiries for more detail with information provided by department if needed.



Letter Of Credit – Defend the Spend (cont.)

Other HHS agencies requiring specific information in the 1000-character justification.

1. Award number and Some type of description.
2. Billing period.
3. Summary of expenses by budget category.
    - Salary and Benefits
    - Travel
    - Supplies
    - Subcontract Expenses
    - Other
    - F&A
4. Payee information for Subcontracts and invoice periods.
5. Justification statement

Denver | Anschutz

Letter Of Credit – Defend the Spend (cont.)

SAMSHA has a specific paragraph….

We are requesting a payment of $46,520.97 for the period of : 12/20/2025 - 1/13/2026. The requested funds will be allocated as follows: • Personnel: $36,846.09 • Other: $75.36 • Indirect Costs: $9,599.52. We certify that all costs are allowable, allocable, reasonable, and necessary in accordance with the terms and conditions of the Notice of Award.

Denver | Anschutz

Summary by Agency

Agency	Justification Required	Budget Categories Required	Frequency
NIH	Standard Statement	No	Weekly
CDC	Detailed	Yes	Monthly
HRSA	Detailed	Yes	Monthly
AHRQ	Detailed	Yes	Monthly
SAMHSA	Agency-Specific Format	Yes	Monthly
Dept. of Education	Detailed	Yes	Monthly

Letter Of Credit – Defend the Spend (cont.)

What is the overall impact on the Letter of Credit Draw?

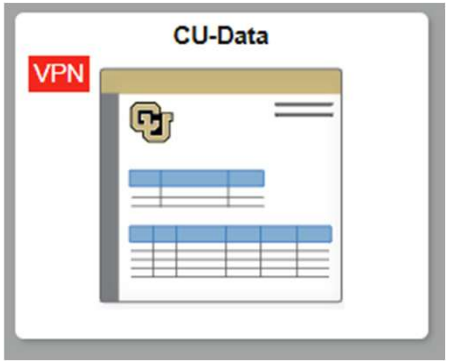
Draw Schedule for LOC

- NIH is being drawn once per week
- Award requiring additional justification details are now only able to be drawn once monthly.
- Dept of Education and NSF draws remain monthly with no change



Letter Of Credit – Defend the Spend (cont.)

- **What can I do to make sure project expenses can be justified?**
  - Record expenses promptly.
  - Ensure expenses are justifiable and allowable when they are being charged to a sponsored project.
  - Review and process subcontract invoices timely.
  - Review detailed expenses on a regular basis and remove expenses that have been charged in error quickly.
  - If doing a cost transfer, ensure your justification is complete and could be used if additional questions are asked by a federal draw reviewer.
  - As a project approaches its end date, make sure that the accounting record is complete and accurate as soon as possible after the project period ends.



Denver | Anschutz



Questions?

Denver | Anschutz