2019 SRAI Annual Meeting
October 19-23

Jennifer Camp, CRA, Director of Project Accounting
Georgia Tech, Atlanta, GA, USA

Jorge L. Vázquez, Higher Ed. Consulting Manager
Huron, Chicago, IL, USA
Grants & Contracts Accounting for Pre-award Administrators

Learning Objectives

- Recognize variables during the proposal submission process that impact post-award
- Identify important financial terms and conditions during contract negotiations
Agenda

• Introduction to Research at Georgia Tech
• Pre-award Administration
  • Proposal Development
  • Contract Negotiations
  • Award set-up
• Roles & Responsibilities
• Summary
Getting to Know Georgia Tech

• Fiscal Year ending June 30, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>FY19 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Awards</td>
<td>$1.05 Billion</td>
</tr>
<tr>
<td>New award count</td>
<td>3,805</td>
</tr>
<tr>
<td>Proposal Count</td>
<td>3,442</td>
</tr>
<tr>
<td>Total Sponsored Costs</td>
<td>$977.9 million</td>
</tr>
<tr>
<td>• Federal (77%)</td>
<td></td>
</tr>
<tr>
<td>• Private (21%)</td>
<td></td>
</tr>
<tr>
<td>• State (1%)</td>
<td></td>
</tr>
<tr>
<td>• Local (&lt; 1%)</td>
<td></td>
</tr>
</tbody>
</table>
Pre-Award Administration

- Proposal Development
- Contract Negotiations
- Award Set-up
Budget and Justification

• Anticipate project needs and include expenses in the budget and justification

• Examples of Budget Exceptions:
  • Reduced F&A rate
  • Limit on fringe benefits
  • Foreign travel unallowable
  • Tuition remission unallowable
  • Prior approval required
Budget and Justification

• Are costs correctly classified as direct vs. indirect?
• Cost impact of employee type
• Will costs change during the life of the award?
  • Fringe benefits rate
  • Base compensation
  • F&A rate
High Risk Purchases if Not Budgeted

- Equipment
- Foreign Travel
- Subcontracts
- Computers
Clinical Trial Budgeting

- Ensure startup fees are sufficient
- Budget development and negotiation
  - Consistent approach
  - Standard fee schedules
  - Standard budget elements (i.e. ancillary services and invoiceable items)
  - Conduct a Medicare Coverage Analysis (MCA)
Clinical Trial Budgeting

1. Determine Personnel Involved
2. Complete basic financial feasibility review (actual cost vs. sponsor’s offer), not focusing on procedural costs
3. Review total and per visit personnel costs
4. Review standard time for study activities and determine if deviation is needed (not recommended except for special circumstances)
5. Determine cost of study-specific and department/division specific items, including costs of services provided by special units and outside providers

Complete basic financial feasibility review (actual cost vs. sponsor’s offer), not focusing on procedural costs.

Review total and per visit personnel costs.

Determine cost of study-specific and department/division specific items, including costs of services provided by special units and outside providers.

Review standard time for study activities and determine if deviation is needed (not recommended except for special circumstances).
F&A (Indirect) Rates

- Does your institution have multiple F&A rates?
- Has the correct F&A rate been selected for the type of research proposed?
- Does the sponsor limit F&A?
  - If so, are additional approvals required before proposal submission?
F&A (Indirect) Rates

- Does the sponsor account for F&A the same as your institution?
  - Modified Total Direct Cost (MTDC) vs. Total Cost
- Does the budget properly account for modified total direct costs?
  - Equipment > $5,000
  - Subawards > $25,000
  - Participant support
  - Tuition remission
Cost Sharing

• Per 2 CFR 200, only mandatory cost sharing is permitted
  • Unallowable on fixed price contracts
• Do not cost share on industry and foreign awards
• Cost share reduces the F&A rate
Cost Sharing

• Identify source of cost share funds
  • Third party (i.e., subrecipient, external collaborator)
  • In-kind (represents the value of non-cash contributions)
• Budgeting cost share – how much does it really cost?
Cost Sharing

- Assume $50,000 cost share required by sponsor

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
<th>Example 2</th>
<th>Example 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$20,000</td>
<td>$0</td>
<td>$10,000</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>4,800</td>
<td>0</td>
<td>2,500</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>6,966</td>
<td>0</td>
<td>12,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>0</td>
<td>50,000</td>
<td>11,437</td>
</tr>
<tr>
<td>Total Direct Cost</td>
<td>31,766</td>
<td>50,000</td>
<td>35,937</td>
</tr>
<tr>
<td>F&amp;A (Indirect) @ 57.4%</td>
<td>18,234</td>
<td>0</td>
<td>14,063</td>
</tr>
<tr>
<td>Total Cost Share</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Institute Funding Required</td>
<td>$31,766</td>
<td>$50,000</td>
<td>$35,937</td>
</tr>
</tbody>
</table>
Period of Performance

• Contract end dates at the end of the month are preferred; **not** mid-month
  • Streamlines invoicing, financial reporting and allowable cost analysis
  • Allows posting of salary expenses for monthly employees during the period of performance (POP)
Pre-Award Administration

- Proposal Development
- Contract Negotiations
- Award Set-up
Contract Negotiations

• Award Type – Is it really fixed price?
  • If contract terms require financial reporting or a refund, it may not meet the Institute’s definition of fixed price
  • Fixed payment or scheduled billing should not require supporting documentation with invoices
  • 2 CFR 200.201 requires certification of fixed amount awards during award close-out
# Invoicing & Financial Reporting

<table>
<thead>
<tr>
<th>Invoicing Requirements</th>
<th>Financial Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Identify billing frequency</td>
<td>• Identify reporting frequency</td>
</tr>
<tr>
<td>• Invoice format</td>
<td>• Clearly identify due dates</td>
</tr>
<tr>
<td>• Invoice certification required?</td>
<td>• Report template</td>
</tr>
<tr>
<td>• Supporting documents required?</td>
<td>• Cost share reporting included?</td>
</tr>
<tr>
<td>• Special Terms (Due “No Later Than”)</td>
<td>• Supporting documents required?</td>
</tr>
<tr>
<td>• Submission to web-based portal required?</td>
<td>• Special Terms (Due “No Later Than”)</td>
</tr>
<tr>
<td></td>
<td>• Submission to web-based portal required?</td>
</tr>
</tbody>
</table>
Foreign Sponsor Considerations

- Exchange Rate
- Negotiate USD
- Audit
- Other Fees
Foreign Sponsor Considerations

- Sample term and condition – exchange rate

Requests for payment and financial statements shall be drafted in euro.

Where the beneficiary keeps its general accounts in a currency other than the euro, it shall convert costs incurred in another currency into euro at the average of the daily exchange rates published in the C series of *Official Journal of the European Union*, determined over the corresponding reporting period. Where no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the Commission and published on its website (http://ec.europa.eu/budget/contracts_grants/info_contracts/infonews/infonews_en.cfm), determined over the corresponding reporting period.
Foreign Sponsor Considerations

• Sample term and condition - Audit requirement

where required by Article 1.4.1 or where both the total contribution in the form of reimbursement of actual costs as referred to in Article 1.3(a)(i) is at least EUR 750 000 and the beneficiary requests a reimbursement in that form of at least EUR 325 000 (when adding all previous reimbursements in that form for which a certificate on the financial statements has not been submitted), a certificate on the financial statements and underlying accounts (“certificate on the financial statements”);

This certificate shall be produced by an approved auditor or, in case of public bodies, by a competent and independent public officer and drawn up in accordance with Annex VI. It shall certify that the costs declared in the interim or final financial statement by the beneficiary or its affiliated entities for the categories of costs reimbursed in accordance with Article 1.3(a)(i) are
Foreign Sponsor Considerations

• Consider other costs to your institution
  • Bank transaction fees
  • Tax reporting in other countries
    • Some countries withhold from invoice payment
Clinical Trial Contracting

- Contracting
  - Negotiate advance payments to avoid “carrying cost”
  - Ensure invoicing frequency is at least monthly
  - Utilize standard terms and conditions (Master Agreements) to eliminate the need to renegotiate each new contract.
    - Provide consistency in management of post-award financial operations
Clinical Trial Contracting

• Payment terms
  • Automatic sponsor payments based off a completed eCRF (electronic case report form) is the preferred method
  • Payments requiring an invoice
    • Some sponsors may require an invoice for each patient visit
    • Pass through items including any procedures and administrative costs that are not covered in the milestones, known as invoiceables
  • Payments frequently have associated holdbacks
  • How frequently is the sponsor paying (monthly, quarterly, etc.)?
Clinical Trial Contracting

• Budget Negotiation Goals
  • Minimize the amount of effort it takes for the finance staff to monitor the trial to reduce the margin of error
  • There are many different tactics for negotiating budgets that will allow you to get the amount necessary to cover the costs of a procedure
    • For example, it doesn’t make sense to accept a financial loss on a Screening visit and expect to make it up at the End of Therapy (EOT) visit if you have trouble with subject attrition
    • A common pitfall is to forget facilities and administration costs or indirect costs
Pre-Award Administration

- Proposal Development
- Contract Negotiations
- Award Set-up
Award set-up

- Award Types
  - New
  - Continuation
  - Competitive Renewal
Award set-up

• Has the F&A (Indirect) Rate changed?
• Document PO# or communicate if PO# is pending sponsor assignment
• Communicate with colleagues
  • Document special circumstances and how they will be handled by all involved
  • Document in writing any sponsor requests that differ from the contract T&C
Clinical Trial setup

• Clinical Trial Management System (CTMS)
  • Build study calendar
  • Medicare Coverage Analysis (MCA)
  • Review the Contract and Budget
Roles and Responsibilities

## Principal Investigator
- Read the solicitation
- Communicate project resources needed
- Provide input on budget justification
- Prepare technical aspects of proposal

## Dept. Administrator
- Read the solicitation
- Understand submission requirements
- Translate project resources to budget
- Minimize potential risks to post-award financial administration
- Document and manage special circumstances

## Central Offices
- Read the solicitation
- Guide and facilitate process
- Submit proposals
- Negotiate contract terms and conditions
- Minimize potential risks to post-award financial administration
- Advise how to manage and document special circumstances
- Document sponsor request for changes to terms and conditions
Award Lifecycle

Solicitation

Proposal Development

Review and Submission

Receipt of Award

Negotiation

Execution/Acceptance of Terms

Award Set-up

Funds Expended, Purchasing

Tracking & Accounting

Sponsor Reports

Closeout

Additional Funding

Award Setup

Pre-Award Learning Objectives
Summary

• Financial management begins during the proposal stage
  • Understand important triggers that may come up during the proposal submission process that impact post award

• Identify important financial terms and conditions during negotiations that may create challenges during post award administration
Questions?

Jennifer R. Camp, Director of Project Accounting
Georgia Tech, USA
jennifer.camp@business.gatech.edu

Jorge L. Vázquez, Higher Ed. Consulting Manager
Huron, USA
jvazquez@huronconsultinggroup.com