Objectives

Upon completion of this training, participants will have the ability to:

• Prepare a budget for federal contracts including how to treat the various cost categories
• Prepare a budget justification
• Manage budget development in future years
• Navigate the standard contract budget document ‘Summary of Proposed Costs’
Overview

• The guidance in this session is generic and does not apply to a specific agency. It provides succinct guidance on typical major budget categories contained in most contract proposal budgets.

What is a Contract?

• A contract is a procurement, not a grant, in which the government acquires specific research deliverables from Duke.
  ▫ Governed by Federal Acquisition Regulations (FAR)
Solicitation Methods

- The government, through a Request for Proposal (RFP), a Request for Quote (RFQ) or a Broad Agency Announcement (BAA), defines a specific Scope of Work (SOW)

Understanding the Solicitation

Contact ORA (SoM) or ORS (University) immediately when you know faculty are submitting in response to a Federal contract RFP/RFQ/BAA...

...the steps involved in submitting a contract response are often more complex than submitting a proposal for a grant opportunity.
Budget Concept

• The budget is built in response to the SOW stated in the solicitation
  ▫ Unless there is a specified ceiling, the concept is to build the budget to be able to deliver the specific SOW, while delivering the ‘best value’ to the government

• FAR Part 31.3, Contracts with Educational Institutions incorporates OMB Circular A-21, Cost Principles for Educational Institutions
  ▫ Provides principles for determining the costs applicable to research and development, training, and other work performed by educational institutions under contracts with the government (reasonable, allocable, allowable)

Budget Concept

• Preparation of a Contract budget, based on Sponsor Guidelines
  ▫ The budget is part of the Business Proposal
  ▫ Budget, budget justification - Typically completed by the grant management team in cooperation with the PI and scientific team

• Special Conditions:
  ▫ Procurement, if Small Business Subcontracting Plan is warranted
  ▫ FISMA (Federal Information Security Management Act) costs
**Tips in Developing Budget and Justification**

- Read the RFP
- Define period of performance, based on RFP
- Have a costing strategy as well as a technical strategy
- Don't wait until the last minute to begin gathering cost information necessary to prepare the budget
- Use the Summary of Proposed Costs or similar spreadsheet template
- Use the RFP to create a checklist of items to include in the budget
- Make sure the budget is consistent with the SOW you are providing

**Tips in Developing Budget and Justification**

- Does the RFP state specific assumptions for budgeting purposes?
- Assumptions can be included in your cost/business proposal on a separate page or as footnotes to your budget
- Always document your assumptions so that you can refer to them later and make changes if needed
- Check and re-check your numbers and formulas. Review the hard copy of your budget to help in spotting errors.
**Budget Documentation**

- Be prepared to provide copies of specific documentation that supports the cost listed in the budget
- Documentation may vary by solicitation
- SoM & University: Currently, using 3% escalation for all categories, except f/b

**Additional Budget Documentation**

**Competitive Bidding**

- Competitive bidding
  - Appropriate when multiple possible sources exist for the work to be performed
  - Competition is required unless it falls within one of the exceptions in FAR Subpart 6.3, such as a sole source selection
  - Must follow Duke GAP 200.101
- Documentation regarding selection should include
  - Copy of the request for proposal (RFP)
  - Three competitive bids required
  - Reason for choosing winning vendor/subcontractor

GAP 200.101, Sole Source Justification for Purchases
Additional Budget Documentation
Single/Sole Source

- **Sole Source** - Specific products or services available from *only one responsible source*, also called sole provider, sole supplier, sole vendor, or sole distributor
  - Only known source of knowledge or expertise
  - Has unique processes, techniques or facilities
  - Member of collaborative scientific team

- **Single Source** - A source *specifically selected* among other, if any, due to specific reasons
  - Replacement parts
  - Compatibility
  - Quality, service, support

- See FAR 6.302

Budget Preparation

- **Direct Labor** - Do not show hours; show percent of effort in both the Business Proposal and Technical Proposal (use Percent of Effort tab)
  - Base salaries must match the current iform; then increased for inflation.
  - If not, provide a letter from the HR manager or department chair/division chief substantiating different salary.
  - For TBN positions, provide the pay band from the HR website
  - Does solicitation have a level of effort cap?
Budget Preparation

• Direct Labor
  ◦ Consider if the agency has a salary limitation/cap:
    ▪ Current Salary Rate Limitation has been revised to indicate applicability to all DHHS OPDIVs except FDA and IHS
    ▪ Salary rate limitation has been changed from Executive Level I to Executive Level II
    ▪ Justification must state salary cap: XX’s Institutional Base Salary (IBS) exceeds the current approved federal salary cap. Therefore, for the purposes of this application, the percent effort has been calculated using the Executive Level II amount of $XX.

http://www.hhs.gov/asfr/ogapa/acquisition/apm-2012-03-attachmenta.html

Budget Preparation

• Direct Labor: For employees with joint Duke/VA appointments, an MOU is required.
  ◦ Use salary and effort on proposal budget that is solely associated with Duke appointment
  ◦ Justification must state joint appointment: The effort requested represents the share of Duke University time only; this is equivalent to X calendar months of total professional effort. Dr. Y has a Z/8 VA appointment.
Budget Preparation

• Fringe Benefit (f/b) rates
  ▫ SoM: The fringe benefit rate stays at the rate(s) shown in Duke’s latest Federally negotiated rate agreement all years of the contract.
    ▪ Do not use ‘projected’ rates in outlying years.
    ▪ Override SPS as necessary to capture the correct f/b rate.
  ▫ University: utilize projected f/b rates in outlying years.

https://finance.duke.edu/resources/docs.php

Budget Preparation

• Materials and Supplies: Budget to carry out the SOW
  ▫ Show detailed pricing of individual materials/ quantities being proposed
  ▫ Group by category or task
• Travel: must follow the Duke policy for lodging/M&I when developing the budget
  ▫ Refer to Duke’s travel policy for guidance on how to arrange the travel
  ▫ Be sure that travel is an allowable cost and well justified
  ▫ Requires compliance with ‘Fly America Act’
Budget Preparation

• Equipment: Budget to carry out SOW
  ▫ Provide detailed pricing for equipment(s) being proposed
  ▫ Capital equipment > $5,000
  ▫ Useful life > 1 year
  ▫ Excluded from F&A
  ▫ Justify using make/model; must be required for the SOW and not available as a current resource at Duke.
  ▫ Recently, we have seen the sponsor state that equipment purchases may not be budgeted (check the solicitation)
  ▫ Be prepared to provide three vendor quotes or sole source justification.

GAP 200.100, Capital Equipment Purchases on Sponsored Projects

Budget Preparation

• Consultants: Reasonable fees for consultants may be requested
  ▫ While the salary cap does not apply to consultant fees, the rate proposed should be reasonable and justifiable
  ▫ Duke employees should not be consultants on sponsored projects at Duke. Exceptions must be approved by institution and sponsor

GAP 200.320, Direct Costing on Sponsored Projects
Budget Preparation

• Other Direct Costs:
  ▫ List non-supply costs not otherwise included in another category, e.g. computer services, shared facilities and service center fees, animal care/per diems, subject costs (payments/meals/stipends), vendor services
  ▫ Tuition remission allowable; excluded from F&A
  ▫ FISMA: if FISMA terms are in solicitation, immediately contact Rosemary Herhold, SOM/SON Information Security Officer, to develop a budget for compliance. If not budgeted in contract budget, the department must agree to cover the cost.
  ▫ Be prepared to provide three competitive bids or sole source justification.

• Patient Care:
  ▫ routine and ancillary services (x-rays, pathology, tests, laboratory, pharmacy - pertinent to SOW); excluded from F&A

• Subcontracts
  ▫ Include subcontracts to other entities here
  ▫ Each subcontractor must submit excel spreadsheet in the same format as Duke’s
  ▫ Both the direct and F&A costs for each subcontract appear on Duke’s Subcontracts tab
  ▫ TBD Subs are allowable - budget using an F&A rate comparable to Duke’s rate
  ▫ Be prepared to provide three competitive bids or sole source justification

GAP 200.280 Monitoring Subrecipients - Federal Funds
Subcontract vs. Vendor

- It is important to make a distinction between subcontractors and vendors during proposal preparation
- Definitions (OMB A-133 § 210)
- Characteristics indicative of a SUBCONTRACT are when the organization:
  - Determines who is eligible to receive what Federal financial assistance;
  - Has its performance measured against whether the objectives of the Federal program are met;
  - Has responsibility for programmatic decision-making
  - Has responsibility for adherence to applicable Federal program compliance responsibilities; and
  - Uses the Federal funds to carry out a program of the organization as compared to providing goods and services for a program of the pass-through entity
- F&A will be collected on the first $25,000 of each subcontract

Subcontract vs. Vendor

- Characteristics indicative of a VENDOR are when the organization:
  - Provides the goods and services within normal business operations;
  - Provides similar goods or services to many different purchasers;
  - Operates in a competitive environment;
  - Provides goods or services that are ancillary to the operation of the Federal program; and
  - Is not subject to compliance requirements of the Federal program
  - Retains no rights to intellectual property
- Vendors are budgeted on ODC tab
- F&A is collected on the entire amount of each vendor/service/site.
Duke as a Site

- When Duke is submitting a contract proposal as a ‘Coordinating Center’ and Duke is also a ‘site’ in the contract, prepare a complete cost proposal for Duke as a ‘site’ using the standard budgeting/F&A assumptions
  - Show the ‘Duke as a site’ budget in the same excel Summary for the Duke-Coordinating Center
  - Utilize a ‘Composite Summary’ tab to show both sets of costs rolled into one composite budget

Allowable vs. Unallowable (not exhaustive)

- **Allowable**
  - Animal care costs
  - Patient travel, food, parking
  - Publication costs
  - Equipment maintenance
  - Service contracts
  - Shared facility charges
  - Administrative Support, if well justified

- **Unallowable**
  - Furniture
  - Lobbying Activities
  - Entertainment
  - Food for meetings
  - Promotional Items (clothing, pens, lanyards, cups/mugs)
  - Alcohol
  - General Office Supplies

http://www.hhs.gov/asfr/ogapa/acquisition/effspendpol_memo.html

GAP 200.320, Direct Costing on Sponsored Projects
Budget Justification

- Ensure narrative explains the details behind budget
  - Explain each category in detail
    - Effort/role on project
    - Supplies
    - Travel (who/why/where/detail each cost)
    - Equipment and why it is necessary for project
    - Consultants
    - Other Direct Costs
    - Patient Care
    - Subcontracts
  - Justify everything; even the obvious

Summary of Proposed Costs

<table>
<thead>
<tr>
<th>SUMMARY OF PROPOSED COSTS</th>
<th>COMPOSITE SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duke University</td>
<td></td>
</tr>
<tr>
<td>8/3/2012</td>
<td></td>
</tr>
<tr>
<td>HHS-NSA-0-12-240</td>
<td></td>
</tr>
<tr>
<td>SAMPLE TASK 4 - FAST-MAS</td>
<td></td>
</tr>
<tr>
<td>sample</td>
<td></td>
</tr>
<tr>
<td><strong>PERIOD I</strong></td>
<td><strong>PERIOD II</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
<tr>
<td>8/15/2012</td>
<td>9/15/2013</td>
</tr>
<tr>
<td>Period ( dates)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Labor - Percent of Effort</td>
<td>$417,297</td>
</tr>
<tr>
<td>Fringe Benefits - Percent of Effort</td>
<td>10%</td>
</tr>
<tr>
<td>Direct Labor - Hourly</td>
<td>0</td>
</tr>
<tr>
<td>Fringe Benefits - Hourly</td>
<td>0</td>
</tr>
<tr>
<td>Total Direct Labor &amp; Fringe Benefits</td>
<td>$417,297</td>
</tr>
<tr>
<td>Overhead</td>
<td>0</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>20,393</td>
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<tr>
<td>Professional Travel</td>
<td>22,588</td>
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<tr>
<td>Equipment</td>
<td>0</td>
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<tr>
<td>Consultants</td>
<td>0</td>
</tr>
<tr>
<td>Other Direct Costs</td>
<td>347,307</td>
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<tr>
<td>Patient Care Costs</td>
<td>0</td>
</tr>
<tr>
<td>Subcontracts</td>
<td>269,780</td>
</tr>
<tr>
<td>Total Other Direct Costs</td>
<td>1,528,871</td>
</tr>
<tr>
<td>Subtotal: Direct Labor, Fringe Benefits, Overhead &amp; Other Directs</td>
<td>$2,339,977</td>
</tr>
<tr>
<td>Exclusion(s) From Base For G&amp;A</td>
<td>1,470,151</td>
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<tr>
<td>Adjusted Base for G&amp;A</td>
<td>1,849,326</td>
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<tr>
<td>G&amp;A</td>
<td>57%</td>
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<tr>
<td>Total Proposed Cost Excluding Fee</td>
<td>2,835,778</td>
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<tr>
<td>Proposed Fee/Profit</td>
<td>0</td>
</tr>
<tr>
<td>Total Proposed Cost Plus Fee/Profit</td>
<td>$2,835,778</td>
</tr>
</tbody>
</table>

27
## Fixed Price Deliverable Schedule

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Dates</th>
<th>Proposed Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kick-off Call, Disclosure Statements, Stakeholder Committee, TEP, TEP Disclosures</td>
<td>11/16/2010</td>
<td>$25,000</td>
</tr>
<tr>
<td>Executive Committee Developmental Projects Call</td>
<td>12/30/2010</td>
<td>$25,000</td>
</tr>
<tr>
<td>Pilot Study Plan - Submit plan for pilot study</td>
<td>2/14/2011</td>
<td>$30,000</td>
</tr>
<tr>
<td>Protocol Summary Draft Document - Submit protocol summary developed from stakeholder topics and/or from methods topics</td>
<td>3/31/2011</td>
<td>$30,000</td>
</tr>
<tr>
<td>Statistical Brief specification document - Submit specifications for a statistical brief including table shells for statistical briefs</td>
<td>4/7/2011</td>
<td>$40,000</td>
</tr>
<tr>
<td>Methods Study Report - Submit results of methods study</td>
<td>5/12/2011</td>
<td>$80,000</td>
</tr>
<tr>
<td>Pilot Study Report - Submit results of pilot study</td>
<td>6/15/2011</td>
<td>$80,000</td>
</tr>
<tr>
<td>Report including agenda, final report for Annual Stakeholder Meeting 1</td>
<td>6/15/2011</td>
<td>$30,000</td>
</tr>
<tr>
<td>Topic Development Final Document - Submit report of 6 stakeholder nominated topics refined into research questions</td>
<td>8/15/2011</td>
<td>$98,981</td>
</tr>
<tr>
<td>Protocol Summary Final Document - Submit protocol summaries developed from stakeholder topics and/or from methods topics</td>
<td>9/1/2011</td>
<td>$58,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$463,981</td>
</tr>
</tbody>
</table>

## Additional Information

- Valuable information is also available through the DHHS Acquisition Policies and Guidance web site [http://www.hhs.gov/asfr/ogapa/acquisition/policies/index.html](http://www.hhs.gov/asfr/ogapa/acquisition/policies/index.html)
- NIH annual salary cap can be found at [http://grants.nih.gov/grants/policy/salcap_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm)
- Electronic Guide to NIH Acquisition: overview of the common acquisition process used throughout the NIH, and the unique variances employed by some Institutes/clinics [http://acq-map.od.nih.gov/](http://acq-map.od.nih.gov/)
Federal Contracting @ Duke

- SoM/ORA:
  - ORA main number: 684-5175 and contracts.management@mc.duke.edu
  - Marianne Ward: 684-3968 or marianne.ward@duke.edu
  - Eve Van Buren: 668-2242 or eve.vanburen@duke.edu
- University/ORS: [http://ors.duke.edu/orsmanual/ors-assignments-2](http://ors.duke.edu/orsmanual/ors-assignments-2)
- FISMA: Rosemary Herhold, SoM/SoN Information Security Officer 668-4041 or rosemary.herhold@duke.edu
- Government-Owned Property Reporting or Issues: Brian Bertlshofer, 681-4178 or brian.bertlshofer@duke.edu