




MEMORANDUM

TO: Clinical Department Chairs and Deans

FROM: Randolph W. Hall 

DATE: April 29, 2015

SUBJECT: Industry Sponsored Clinical Trial Overhead Distribution

Since administration of industry sponsored clinical trials was integrated into the University from HRA in July 2013, we have continued the practice of charging a 35% overhead on clinical trial *expenditures*, rather than income. A 25% share has continued to be allocated to central admin costs (paying for clinical trials contracting & budgeting (i.e., CTO), clinical trial billing (SPA), a share of HSC IRB, and Clinical Trials IT -- Iris, True, True2, and OnCore). A 10% share has continued to be allocated to clinical departments to pay for costs incurred there (post-award financial management and other locally incurred costs for research).

Over the last 21 months, we have observed in the aggregate that the *income* we receive as reimbursement from sponsors for services consistently exceeds the *expenditures* in these accounts. Unfortunately, the delay in expending funds has the consequence of delaying recognition of overhead, thus impeding the ability to cover both departmental costs and central costs.

To improve our ability to pay for clinical trial administration costs (both departmental and central), the following change will be enacted in the collection of overhead costs beginning in May 2015: In the Quali Financial System each clinical trial account (51-xxxx-xxxx) with an available balance under the object class 10100 will be recognized via an accounting entry by the Sponsored Projects Accounting Office. Going forward, On a monthly basis 35% overhead will be charged at the time income is received, rather than when expended.

- For accounts with current positive balance, a one-time overhead charge will be assessed in early May based on the current balance.
- No overhead will be charged at time of expenditure.
- No overhead will be charged at account closeout on residuals
- The 35% overhead will be distributed in the same portions as the past: 25% for central costs and 10% for local costs.

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- As a consequence of this change, departments with active clinical trial accounts will receive a special distribution of overhead, in an amount determined by the unspent funds in trials that they lead.
- Overhead funds distributed to departments will have no expiration. They can be allocated to pay costs incurred for administering clinical trials this year, or saved for the future.

These changes will have no effect on the funds available to PIs to cover their direct study costs or on the amount of funds distributed to PIs at account closeout.

Departments will also receive the same distributions as they have in the past, but will receive these distributions much sooner than was possible under the old accounting system.

For more information on clinical trials at USC, please see <https://research.usc.edu/clinical-trials-at-usc/>, where you can find the *Guide to Clinical Research at USC* and training programs on clinical research at USC. Also, please note that USC now has a website that provides information on clinical trials for patients: <http://clinicaltrials.keckmedicine.org/>.

cc: Michael Quick
Robert Abeles
Robert Johnson