Welcome!

Marcia Smith
Associate Vice Chancellor for Research
Agenda

- Welcome and Announcements - Marcia Smith
- Billing and Collecting on Awards in Foreign Currency – Jen Ear
- Managing Funds in International Research – Scott Monatlik, Director of Tax Services, CFS, Richard Yamashita, Director of Treasury Services, CFS
  - Paying Foreign Workers -Tax Implications
  - Resources for Operating Abroad
  - Travel Advances
  - Coordination of Global Support
- International Contract Negotiations, Case Study – Heather Winters
- Accessing Your Research Data for Analysis and Decision Support - Harry Yang
- Questions and Discussion
Billing and Collecting Awards in Foreign Currency

March 10th, 2016

Jen Ear
Foreign Currency

When you get your money...
When you go to exchange it...
Foreign Currency

When the exchange rate was...

Favorable

Unfavorable
Overview – Foreign Currency Awards

**Background**

- Some awards from Foreign Sponsors require the acceptance of foreign currency
- Fluctuations in currency exchange rates creates uncertainty regarding the final award amount
- Departments must monitor the actual amount received to avoid potential financial loss that may result from unfavorable exchange rates.
Know Your Award and Your Risks

- Is the sponsor willing to make payments in U.S. currency?
  - Fluctuations in exchange rates can have significant effects on the payments for sponsored research projects. There is a potential loss of dollars involved in agreements containing payment terms in foreign currency.

- If not, is the sponsor willing to agree to advanced payments?
  - Advanced payments help to eliminate some of the risks associated with fluctuations in exchange rates. The conversion will only have to take place once upon receipt of up front payment.
Know Your Award and Your Risks, cont’d

- If paid in foreign currency, how is the sponsor expecting gains or losses to be handled?
  - Defining the disposition of gains or losses may help mitigate the potential loss from conversion or allow the PI to identify unrestricted resources that will help to absorb losses, if necessary
  - Normally sponsor’s do not expect to recover gains or cover losses

- If being paid through wire transfer, was the wire transfer fee built into the budget or did the sponsor indicate they would cover the cost for wire transfer?
  - If the wire transfer fee has not been included in the approved budget or otherwise stated in the terms and conditions, the department is responsible for covering those costs
  - Wire fees can be paid upfront by the remitter (sponsor). Normally, they are not paid upfront by the sponsor
Foreign currency

Billing

- EFM will bill based on expenses in U.S. Dollars from the closed ledger, but convert them into foreign currency using well-established currency converter
- Revenue and Accounts Receivable will be setup for amount recorded on the ledger in U.S. Dollars
- Invoice will be prepared in foreign currency based on the converted amount

Payments

- Foreign currency received will be converted into U.S. Dollars upon deposit of payment
- Depending on the conversion rate at the time of deposit, gains or losses can be realized
### Effects of Rate Changes

**Case A - £100,000 Awarded**

<table>
<thead>
<tr>
<th>When:</th>
<th>Conversion Rate</th>
<th>Value in U.S. Dollars</th>
<th>Gain/(Loss)</th>
<th>Cumulative Effect in U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award received</td>
<td>1.1</td>
<td>$110,000</td>
<td></td>
<td>$110,000 Original Value</td>
</tr>
<tr>
<td>Invoice prepared</td>
<td>1.2</td>
<td>$120,000</td>
<td>$10,000</td>
<td>$130,000 Payment Collected</td>
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<tr>
<td>Payment Collected</td>
<td>1.3</td>
<td>$130,000</td>
<td>$20,000</td>
<td>$20,000 Cumulative Gain</td>
</tr>
</tbody>
</table>

**Case B - ₦100,000 Awarded**

<table>
<thead>
<tr>
<th>When:</th>
<th>Conversion Rate</th>
<th>Value in U.S. Dollars</th>
<th>Gain/(Loss)</th>
<th>Cumulative Effect in U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award received</td>
<td>0.90</td>
<td>$90,000</td>
<td></td>
<td>$90,000 Original Value</td>
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<tr>
<td>Invoice prepared</td>
<td>0.80</td>
<td>$80,000</td>
<td>($10,000)</td>
<td>$50,000 Payment Collected</td>
</tr>
<tr>
<td>Payment Collected</td>
<td>0.50</td>
<td>$50,000</td>
<td>($40,000)</td>
<td>($40,000) Cumulative Loss</td>
</tr>
</tbody>
</table>

- Departments must monitor the actual amount received to avoid potential financial loss that may result from unfavorable exchange rates.
QUESTIONS
OPERATING ABROAD – TAX AND OTHER ISSUES

Scott Monatlik
Director of Tax Services
Hiring Independent Contractors Abroad

– To minimize risk
  • Work with a local university and use their employees, or
  • local employment agency.

– Avoids local employment tax issues since the local university or agency assumes the responsibility for payroll administration and reporting.

– If the above options cannot be identified, hiring a foreign contractor directly may be necessary. However, the degree of risk posed to the University in the foreign country should be considered.
Hiring Independent Contractors Abroad - Risks

• Improper classification of an employee as an independent contractor
  – Laws regarding what constitutes a contractor may vary by country. Improper classification can result in penalties and fines from the local government and claims from the contractors for employment benefits, insurance etc.

• Compliance with local income tax withholding, tax filing and tax reporting requirements.
  – Laws vary as to whether the paying agent or the contractor must make the required income tax payments.
  – Payments to human subjects may be subject to withholding and reporting requirements.

• Although not advisable, cash payments may be necessary in remote areas where banking facilities are not available. Employees making cash payments should maintain adequate documentation and account for expenses timely, to avoid being subject to income tax liability.
Permanent Establishment

• University activities conducted in a foreign country will be subject to taxation and other regulatory requirements in that country if the University has a taxable presence or permanent establishment
  – The University does not automatically enjoy non-profit status in a foreign country).
• Tax treaty Countries - In general, PE is created when the entity conducts operations through a fixed place of business
  • Hiring an independent contractor who does not have the ability to conclude contracts will not likely create PE.
• If the U.S. does not have a tax treaty with the country, then the local laws will determine whether the University’s activities are subject to the taxing jurisdiction of the country.
Resources

• UC System wide contract with outside consulting firm that advises on international operations issues.
  – If a department wants advice on a particular country you can work with UCLA Tax Services and our outside consultants. UCOP may cover a portion of the charges and the rest would be charged to the department.
TRAVEL ADVANCES

Scott Monatlik
Qualification for Travel Advance

- **Travel advances made via EFT to employee’s bank account. Also, we can issue a check.**

- **Employees**
  Employee’s on payroll that meet one of the following criteria

- **Long term travel**
  Travel 30 days or more

- **Student groups**
  Group leader’s for student groups
  Group leader’s must be on payroll
  Group leader’s must travel with the student group

- **Last minute business travel for new employees**
  Travel within 5 business days
  **T&E visa cards can typically be issued and delivered within 3 business days.**
TRAVEL ADVANCE POLICY

• G-28 Travel Regulations, page 11, 3.b
  http://policy.ucop.edu/doc/3420365/G-28

• Issuance of an advance
  No more than 7 days prior to trip

• Reconciliation
  Travel advances must be received in travel accounting within 21 days from the return date of the trip. Outstanding travel advances exceeding 45 days or more will be charged to the FAU listed on the travel advance and the employee will be taxed for the entire amount issued in the travel advance.

• Department Approval
  Travel advances must be approved by the funding departments CAO/CFO
Expenses

• **Approved Travel Expense**
  Hotels, apartment rentals, non-commercial facilities
  *camp grounds
  Meals, incidentals and tips
  Taxi, bus, train, shuttles

• **Approved Non-Travel Expenses** *(expenses incurred while on travel)*
  Hosting Entertainment events
  Miscellaneous business items such as printing and office supplies
  Day labors – not advisable but *maximum $20 per day per person
  Museums tickets, event tickets *business purposes only
UNAPPROVED EXPENSES

• Airfare
• Salaries
• Electronic items such as computers, camera’s, printers
• Building materials
• Donations and sponsorships
• Travel expenses for family members who are not on business travel
REQUESTING ADVANCE

• Email travelacct@finance.ucla.edu a copy of your anticipated expenses and budget.

• Upon approval you will receive a Travel Advance form to complete

• Please be sure the advance form is approved by the funding department’s CAO/CFO or higher.
OPERATING ABROAD —
UCLA TREASURY AND GLOBAL OPERATIONS SUPPORT

Rich Yamashita
Treasurer
UCLA Treasury is Under the Vice Chancellor & CFO as Part of Corporate Financial Services

**Chancellor**
Gene Block

**Vice Chancellor – CFO**
Steve Olsen

- **Campus Services**
  Executive Director
  Brad Erikson

- **Academic Planning & Budget**
  Jeff Roth

- **Capital Programs**
  AVC
  Sue Santon

- **Corporate Financial Services**
  AVC & Controller
  Allison Baird-James

- **Treasury Services**
  Treasurer
  Rich Yamashita
Treasury Provides a Forward Looking Perspective to Influence Strategy and Capital Structure

Treasury’s vision...

- A bridge between external Stakeholders and UCLA’s internal businesses
- A provider of decision support from an economic and cash perspective
- An advocate of an enterprise approach (UCLA and system wide perspective)
- A fiduciary and collaborative business partner across business, functional and campus boundaries

... and approach toward objectives

- Influence strategic and tactical decisions through the refinement of liquidity projections and appropriate KPI’s
- Use analytics to influence investment (portfolio) asset and debt allocations
- Collaborate with Campus and UC leadership on financial strategy and delivery of efficient banking services
- Enable domestic and global campus and faculty initiatives while mitigating financial risks to UCLA and the UC

We will provide a strategic framework to enable faculty, students and staff to execute on the University’s mission across the globe
“China, Fighting Money Exodus, Squeezes Business Trying to slow capital outflow, Beijing makes life tougher for companies and investors” ..... Wall St. Journal;

3/8/2016

“Venezuelan travelers take 1,400% forex hit” .....Barrons;

3/9/2016
UCLA is a Global Business Requiring Support at a Local Level

Key Considerations center on the reduction of risk:
• Minimize risk to human life and liberty
• Minimize risk to the University
• Minimize potential for friction and fraud in financial transactions
• Optimize cost and efficiency

<table>
<thead>
<tr>
<th>Examples</th>
<th>Initial Approach</th>
<th>Potential / Agreed Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of a research center in Cameroon</td>
<td>Construction and owner ship of facility</td>
<td>Local construction and ownership / special use</td>
</tr>
<tr>
<td>Funding Operation during Greece Crisis</td>
<td>Wire advance / check</td>
<td>Quickly move to cash based solution (only solution at time)</td>
</tr>
<tr>
<td>Establishment of China Entity</td>
<td>Entity set up with potential capital commit</td>
<td>Continue research / potential use of loan structure</td>
</tr>
<tr>
<td>Grant Funding in USD, Spend in Local Currency</td>
<td>PI waiting to convert at an ‘opportune’ time</td>
<td>Relieve FX risk through hedge process</td>
</tr>
</tbody>
</table>
Realities of the “Last Mile”
While we can be Innovative in our Approach, our Current Financial “Tool Kit” Requires Planning

Anatomy of a Foreign Funds Transfer - Perception

Anatomy of a Foreign Funds Transfer – Reality Example

<table>
<thead>
<tr>
<th>CURRENT PAYMENT CHANNELS</th>
<th>RECEIVE</th>
<th>PAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHECKS (USD)</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>WIRE / ACH</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>PAYMENT CARD</td>
<td>Y</td>
<td>limited</td>
</tr>
<tr>
<td>CASH</td>
<td>Y</td>
<td>Very limited</td>
</tr>
</tbody>
</table>
Update: Greece debt crisis and potential impact on UCLA faculty member(s)

What we know now

- Currently stationed in Greece:
  - UCLA faculty member Dr. Sarah Morris
  - 14 UCLA students will be there as of July 10th and have been advised of the Greek situation
  - UC Merced faculty member (currently investigating)
- Greece implemented capital controls to limit cash outflow. Initial term set of June 29 – July 6
- Greece local bank accounts are limited to EUR 60 per day of withdrawals
- Foreign accounts are exempt from the withdrawal limits
- Credit cards are currently accepted
- Western Union retail services are closed for at least one week

What we do not know

- Financial needs of Prof. Morris and the students
- Their cash vs non-cash expenditures
- A foreign national’s ability to exceed withdrawal limits from local bank account

What we can do

- Issue foreign (non-Greek) based credit cards (if not already done)
- Consider potential for Prof. Morris to open a Euro account in London
- Consider cash advances for new faculty/staff travel to Greece

Update from June 29, 2015
Our “Toolkit” will Evolve, Driven by A Look Forward in Anticipation of Your Needs

<table>
<thead>
<tr>
<th>PAYMENT CHANNELS</th>
<th>TODAY</th>
<th>FUTURE (potential)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHECKS (USD)</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>WIRE / ACH</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>PAYMENT CARD</td>
<td>Y / limited</td>
<td>Y</td>
</tr>
<tr>
<td>CASH</td>
<td>Limited / very limited</td>
<td>Very limited</td>
</tr>
<tr>
<td>CASH VIA AGENT (Western Union)</td>
<td>Not available</td>
<td>Available</td>
</tr>
<tr>
<td>PAYPAL</td>
<td>Not available</td>
<td>Available</td>
</tr>
<tr>
<td>MOBILE PAYMENT/ACCEPTANCE</td>
<td>Not available</td>
<td>Available</td>
</tr>
<tr>
<td>CHECKS FOREIGN CURRENCY</td>
<td>Not available</td>
<td>Limited available</td>
</tr>
<tr>
<td>WIRES FOREIGN CURRENCY</td>
<td>Limited</td>
<td>Available</td>
</tr>
<tr>
<td>BITCOIN / CRYPTOCURRENCY</td>
<td>Not available</td>
<td>Research needed</td>
</tr>
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</table>
We are Building a Collaborative Framework to Proactively Support Global Initiatives

- Campus Customers (e.g., Global Health)
- Grants and Contracts
- Student
- Risk Mgmt
- Global Affairs
- Finance/Purchasing/Tax
- Legal
- Human Resources
Collaboration with our Faculty and Supporting Teams will Help Anticipate Need and Focus Effort

We can build the bridge ahead of time so it will be ready when you get there......

But it will be helpful to first know where to build the bridge......

The Bridge to Nowhere.... San Gabriel Mountains, CA
What we Need from you and Next Steps

We need your help to collect information to determine where we have critical mass of activities.

Next Steps: Interviews with Faculty/PIs and Support teams

<table>
<thead>
<tr>
<th>Topic / Area</th>
<th>Concern</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking services</td>
<td>BUS-49 (credit quality), service breadth, accessibility</td>
<td>Consider sovereign rating and leverage UC relationships</td>
</tr>
<tr>
<td>Movement of funds</td>
<td>Timing, cost, effectiveness</td>
<td>Alternative payment methods (e.g. mPesa, MTN, boleto, etc)</td>
</tr>
<tr>
<td>Country presence</td>
<td>Permanent establishment, tax, statutory requirements</td>
<td>Leverage consultant expertise on retainer</td>
</tr>
</tbody>
</table>
International Negotiations
A Case Study

Heather Winters
Assistant Director – Contracts
OOGA
heather.winters@research.ucla.edu
Previous vs. New agreement

**PRO’s**

- UCLA had an existing relationship with sponsor
- Both parties eager to continue relationship and project
- Provided a position to start from
Previous vs. New agreement

CON’s

• Existing and new agreement **vastly different**

• Three UC campuses received differing terms from one another
Previous vs. New agreement

CON’s

• Staggered contracts (Campuses couldn’t coordinate a response)

• Problematic language due to the evolution of the scope of work
External Challenges

- Sponsor took offense to “standard” language for US institutions
  - “help facilitate” = “lack of competency”
External Challenges

• Returned multiple times with signatures and made changes which had not been agreed upon – more casual approach than US institutions
External Challenges

• C&G counterpart changed multiple times – difficult to establish a working relationship

• Appearances of conflict of interest

• Lack of transparency
Internal Challenges

- Multiple interpretations of IP language within UC
- Too many “cooks in the kitchen” (27 distinct individuals involved during negotiation)
Internal Challenges

• Pressure from highest levels at School/Dept.
  ▪ Interjected themselves into negotiation process

• Divisive tactics
  ▪ PI was threatened with loss of funding
  ▪ Campuses were pitted against each other
Final Outcome
What works?

• PI involvement
  ▪ Face-to-face interaction
  ▪ Relating problematic terms to their project and in ‘lay’ terms
  ▪ Faculty may have established relationships
What works?

- PI’s ‘negotiating’ on behalf University
  - Facilitator versus obstructionist

- Detailed budget and scope of work
  - Not US centric
  - US dollars
What works?

• Risk Assessment and Management
  ▪ Ensure safeguards and protections for faculty and students
  ▪ Proper and sufficient insurance

• Recognize Differing Expectations
  ▪ Pomp and circumstance – signing ceremonies
Questions?
Research Administrators Forum (RAF)

Accessing Your Research Data for Analysis & Decision Support

March 10, 2016
$1,033,159,101
FY 2015 Total Research Awarded Dollars

UCLA Research
Please note: Contracts & Grants include Research, along with Non-Research Related Contracts & Grants
UCLA Competitive Proposal Success Rates, Federal Direct Funding Sources
Fiscal Year July 1 through June 30

<table>
<thead>
<tr>
<th>Year</th>
<th>% Funded</th>
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<tr>
<td>FY 2009</td>
<td>30.9%</td>
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<tr>
<td>FY 2010</td>
<td>31.3%</td>
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<tr>
<td>FY 2011</td>
<td>26.5%</td>
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<tr>
<td>FY 2012</td>
<td>28.8%</td>
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<td>FY 2013</td>
<td>25.2%</td>
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<tr>
<td>FY 2014</td>
<td>24.8%</td>
</tr>
<tr>
<td>FY 2015</td>
<td>25.1%</td>
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</table>
portal.research.ucla.edu
Research Administration

portal@research.ucla.edu

ReportHelp@research.ucla.edu