

Policy and Procedure Manual
Administrative Manual Section 10
Administrative Institutional
Department: Research Operations



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Revised:
Page: 1 of 4 (Attachments)

**Residual Funds on
Sponsored Projects**

APPROVALS:
SLT: 04/26/13 BOD: 2Q-13

Scope: Medical Center Beckman Research Development Group

I. PURPOSE/BACKGROUND:

To provide guidance for the treatment of Residual Funds that exist after the completion of the project from sponsored research involving Fixed Price Contracts. This policy applies to all sponsored activity with Fixed Price Contracts funded by third parties (i.e. private, governmental, not-for-profit, academic institutions, etc), including but not limited to clinical trials. The overriding purpose is to ensure that residual funds are used to advance the mission of the institution and to avoid possible conflicts of interest for Principal Investigators (PI).

II. POLICY:

- A. The institution must comply with the terms and conditions of the individual sponsored projects, as well as various governmental agency regulations and requirements imposed by the sponsors with respect to the disposition of residual funds that result from the institution's execution of its responsibilities under sponsored projects.
- B. Federal, state and local government agencies, as well as some voluntary health organizations (such as the American Heart Association and the American Cancer Society), prohibit the retention of sponsored project funds to the institution. Residual balances on sponsored projects funded by these organizations will be returned without exception.
- C. Retention of private funds received from foundations will be handled by the Office of Foundation Relations (OFR) or the Office of Sponsored Research (OSR), as applicable. A determination will be made as to how these funds will be treated as required in the grant agreement and in consultation with the awarding foundation.

D. Industry Sponsored Studies

1. Although these accounts are fixed price, direct costs related to these accounts must continue to be identified and charged against these accounts and not other sponsored or institutional accounts. Charges to industry sponsored accounts will reflect all actual effort and related costs incurred without exception.
2. If there is a residual balance, the following process will be utilized to request retention of the residual funds. When the activity related to the account is complete and the final invoice has been submitted to the sponsor and full payment has been received, the PI's department will complete a Request for Retention of Residual Funds within one hundred twenty (120) calendar days of the full sponsor payment. The PI will certify that all research activities and expenses are complete for the project.

E. Residual Funds

1. Research funds may not be designated as residual funds until full F&A costs have been paid on the entire award, including any funds remaining after the completion of the project.
2. Grant Accounting will verify the amount of the residual funds upon receiving the Request for Retention of Residual Funds. The PI must provide a written explanation for residual funds in excess of 20% of the total sponsored budget. Any residual funds in excess of 20% are subject to monitoring and potential audit review.
3. A new cost center will be established for these funds. Residual funds may not be transferred into any existing discretionary or departmental cost centers. Multiple awards may be closed to a single residual restricted fund for one PI.

F. Residual Fund Cost Center

1. No external funds may be deposited into a Residual Fund account.
2. Any material or equipment purchased with these funds is the property of the institution and there is no implied transferability.
3. Residual Funds may be used at the discretion of leadership to offset any deficit balances related to the PI's research activities or unallowable costs. The PI will be notified by the attached Expense Allocation form of this action.
4. All unexpended funds will revert to the institution once the PI leaves.

G. Management of the Funds

1. The use of funds is limited to research expenditures and must comply with all institution policies.
2. Allowable expenses include but are not limited to the following:
 - a) Research/Medical related continuing education
 - b) Professional Memberships
 - c) Research and Education related Travel
3. Residual funds may not be used for the following:
 - a) Personal expenditures
 - b) Expenditures not related to research or education
 - c) Personal gifts
 - d) Alcoholic beverages
 - e) Staff incentives
4. The PI and Business Director will be notified of the cost center and expenses to be allocated to the residual fund cost center by the Expense Allocation form ten days prior to allocation.

III. PROCEDURE:

RESPONSIBLE PERSON(S)/DEPT.	PROCEDURE
PI/Business Director	A. Ensure all applicable project expenses are reflected on the project/study specific account prior to closing.
PI/Business Director	B. Complete "Request for Retention of Residual Funds" and submit to Office of Sponsored Research (OSR) or Office of Clinical Trials Support Services (CTSS) for approval.
OSR/CTSS/OFR	C. Review original sponsor agreement to ensure the terms and conditions allow for retention of unspent balances by the institution.
Research Finance	D. Confirm balance available and approval creation of residual funds account for PI.
PI/Business Director	E. Ensure residual funds are spent in accordance with approved Residual Funds Policy.

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Collaborating Author(s) and Sponsor(s): David Horne, PhD, Interim Director, Beckman Research Institute and Alexandra Levine, MD, MACP, Chief Medical Officer

Attachments:

1. Request for Retention of Residual Funds
2. Expense Allocation Residual Fund Cost Center

Appendix One - Acronyms, Terms and Definitions Applicable to this Policy:

1. **Fixed Price Contract** – Award mechanism whereby the sponsor provides funding at the beginning of the award period or periodically (i.e. based on milestones or deliverables) as a firm, predetermined price. Under a fixed priced contract, costs incurred in excess of the budget become an institutional expense to COH.
2. **Full Sponsor Payment** – Sponsor reimbursement to the institution for all costs as per the final invoice or financial status report or payment for all activities and/or deliverables per the clinical trial or fixed price agreement.
3. **Project Completion Date** – The date when all project work has been completed and submitted to the sponsor not necessarily the end date stated in the agreement or fully executed contract. In the case of clinical trials, this would not necessarily be the date indicated on the IRB.
4. **Residual Funds** – Cash surplus on hand in a sponsored research project account at the institution remaining after (i) completion of all deliverables required under an award; (ii) full sponsor payment (as defined above) to the institution; (iii) applying and posting all associated costs and cash received in fulfilling the requirements of the award to a sponsored research account; and (iv) recovering all indirect costs owed to the institution.

REQUEST FOR RETENTION OF RESIDUAL FUNDS

Cost Center: _____ Project Period: _____ to _____

Title: _____

PI: _____ Department: _____

Residual Balance: _____

Does balance exceed 20% of project budget? _____ if yes, please provide justification for the residual.

Certification of Project Completion:

I certify that all expenses have been incurred for this project. All milestones/deliverables have been completed. All final scientific and fiscal reporting has been completed and accepted by the sponsor.

Principal Investigator Date

Principal Investigator Responsibilities for Residual Funds Cost Center

- No external funds will be deposited into a Residual Fund account.
- Any material or equipment purchased with these funds is the property of City of Hope and is not transferable.
- Residual funds may be used at the discretion of City of Hope leadership to offset any deficit balances related to the PI's research activities. Principal Investigator will be notified of any expenditures related to deficit balances by attached form.
- Any erroneous expenses that occur on the project after the residual funds have been transferred to the residual account, will be paid utilizing funds from the residual account.
- All unexpended funds will revert to City of Hope.

Principal Investigator Date

Business Director Date

Institutional Approvals

Director, Research Finance Date

Director, Office of Sponsored Research or Clinical Trials & Industry Research Date

Senior Vice President, Research Operations Date

Return completed form to Research Finance for new cost center. The Full Residual Funds policy can be accessed at www.coh.org

**Expense Allocation
Residual Fund Cost Center**

This form will be used to identify and allocate expenses as designated by COH leadership to an individual PI Residual Fund Cost Center.

To be completed by Research Finance:

Cost Center: _____

Title: _____

PI: _____ **Department:** _____

EXPENDITURES:

Cost Center	Amount	Description
TOTAL		

Reason for allocation to residual funds cost center:

Institutional Approvals

Director, Research Finance Date

Director, Office of Sponsored Research or Clinical Trials & Industry Research Date

Senior Vice President, Research Operations Date

The expense allocation form will be sent 10 days prior to expense allocation to PI and Business Director.