

SEATTLE CHILDREN'S HOSPITAL RESEARCH INSTITUTE
Seattle, Washington

OPERATING POLICIES / PROCEDURES

DEPARTMENT: Office of Sponsored Research

POLICY NUMBER: OSR-21

REPLACES: N/A

EFFECTIVE DATE: 2/29/08

REVISION DATE: N/A

POLICY TITLE: **Residual Balance Transfers**

POLICY:

Residual or unspent funds on sponsored projects occur when the receipt of cash from a sponsor exceeds the costs identified and incurred on the project. For cost reimbursable awards, these funds must be returned to the sponsor. The remaining balances on corporate or federal fixed price awards, however, may be retained by Children's Hospital Research Institute (Children's) and transferred to the applicable surplus accounts at the time of closeout, provided that the project has been completed by the Principal Investigator (PI) and all deliverables have been submitted.

It is Children's policy that if a residual balance remains on a fixed price award, under-recovered Facilities and Administrative (F&A) costs, if any, are charged to the activity before any residual balance is transferred to the surplus accounts. In other words, if a full or partial waiver of F&A costs has been applied to the award, then the waived F&A will be charged before the balance is moved. Following these adjustments to the incurred F&A recovery, the remaining unrestricted residual balance will be divided three ways: one-third will be transferred to the center with which the PI is associated; one-third will be transferred to the PI's Clinical Trail Surplus Account (CTSA); and one-third will be transferred to the Research Institute. F&A costs will be applied to expenditures against these accounts as they are incurred.

Any employee who is involved with the administration of sponsored agreements should be familiar with this policy. This includes Center Business Managers, Center Directors, Principal Investigators (PIs), individuals from the Office of Sponsored Research, Research Finance, and other personnel who are involved with sponsored awards.

The goals of this policy are to:

- Establish the requirements for accounting and disposition of residual funds on sponsored grants and contracts.
- Establish the responsibility and procedures for transferring the residual balance to the appropriate surplus accounts.

PROCEDURE:

- 1.1 On a monthly basis after the month-end closes, the Office of Research Finance Closeout Accountant will run a Lawson query to identify the awards that will terminate within 60 days. Once generating that list, the Closeout Accountant will send a "Notification of Award End Date" letter to CBM and PI that the sponsored award will close in 60 days (**Exhibit D**). The expectation is that the CBM and PI will begin to work the steps listed on the letter, in preparation for the end date.
- 1.2 If the award is a fixed price award and the project is complete, meaning that all study activities have been completed and the final payment from the sponsor has been received, the CBM and PI complete the Fixed Price Closeout Authorization Form (**Exhibit A**) and submit to Office of Research Finance (ORF).
 - 1.2.1 The CBM and PI's signatures on the Fixed Price Closeout Authorization Form confirm the following:
 - All work has been completed,
 - no outstanding items remain open or in question with the sponsor;
 - all items requiring billing have been billed or submitted;
 - all technical reports have been received and accepted by the sponsor; and
 - all payments for the project have been received, as confirmed by the CBM and ORF.
 - 1.2.2 ORF will then complete reconciliation showing all cost have been incurred, including F&A and B&O tax and will provide the final numbers to the CBM and PI for review. Once the CBM and PI agree with the final balance, the remaining balance will be transferred by ORF. The steps will be as follows:
 - 1.2.2.1 The under-recovered F&A (if applicable) will be transferred to the F&A pool on the research operations side (**Exhibit B**). If the awarded F&A rate was less than the Children's full rate, then a true up adjustment will take place (**Exhibit C**).
 - 1.2.2.2 1/3 is transferred to the Center to which the PI is associated. Each Center will have a discretionary research activity set-up. The PI for this research activity will be the Center Director with report access given to the Center Business Manager and/or other designed staff.
 - 1.2.2.3 1/3 is transferred to the PI's Clinical Trail Surplus Account (CTSA). Each PI that receives a portion of a residual corporate study balance will have his/her own research activity set-up under the PI's activity group. This activity will be set-up as a discretionary activity for the PI to use to supplement research projects.
 - 1.2.2.4 1/3 is transferred to the Research Institute. This activity is a discretionary activity to be used as determined by the President of the Research Institute.
 - 1.2.3 The transfers will be done using the appropriate expense code (account category). The balance remaining will be split between direct and F&A cost portion based on the current rate applied to corporate studies.

- 1.2.3.1 F&A costs will accrue when expenses are charged to the account. F&A costs will be calculated and charged in accordance with the F&A Rate Agreement in force at the time the expenditure is incurred.
- 1.2.3.2 Charges will be scrutinized to ensure the indirect costs collected will reflect the appropriate rate considering location and activity. For example, lab research activities will be charged the current lab research rate approved, while clinical research activities will be charged the current rate for those activities and location.

1.3 If the award is a cost-reimbursable award, the funds must be returned to the sponsor.

Submitting Official:

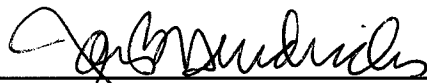
Approved by:  3 March 08
James B. Hendricks, President Date
Seattle Children's Hospital Research Institute

Exhibit A: Fixed Price Closeout Authorization Form

Fixed Price Closeout Authorization Form

Date: <insert date>

To: JoAnn Staheli
Office of Research Finance (ORF)

From: <PI Name>
<CBM Name>
<Center Name>

Re: Children's Activity No. <Insert Activity No>
Sponsor/Award Number: <Insert Name/Number>
Short Title: <Insert Title>

This memorandum serves as notification to ORF that the above referenced award is complete, meaning that:

- all work has been completed,
- no outstanding items remain open or in question with the sponsor;
- all items requiring billing have been billed or submitted;
- all technical reports have been received and accepted by the sponsor; and
- all payments for the project have been received, as confirmed by the CBM and ORF.

Any remaining balance is now eligible for transfer in accordance with the Children's Residual Balance Policy.

"I certify that all expenditures reported (or payment requested) are for appropriate purposes and in accordance with the provisions of the application and award documents."

Principal Investigator Date

Center Business Manager Date

Exhibit B: Residual Balance Calculation with Remaining F&A

The below example illustrates the calculation for an award with an F&A rate of 41%, which is Children's full rate.

Award and Expenditure Information	Amount and Supporting Calculation	
a) Total Award Amount:	\$ 50,000	
b) F&A Rate:	41%	
c) Direct Costs Charged at Time of Closeout:	\$ 25,000	
d) F&A Charge at Time of Closeout:	\$ 25,000	Direct Cost Charged (c)
	x 41%	F&A Rate (b)
	<u>\$ 10,250</u>	F&A Charged (d)
e) F&A Remaining to be Charged:	\$ 25,000	Direct Cost Awarded (c)
	x 41%	F&A Charged (b)
	<u>\$ 10,250</u>	F&A Remaining (e)
	\$ 10,250	F&A Charged (d)
	less \$ 10,250	F&A Remaining (e)
	<u>\$ -0-</u>	
f) Residual Balance after F&A Adjustment:	\$ 50,000	Total Award (a)
	less \$ 25,000	Direct Cost (c)
	less \$ 10,250	F&A Charge (d)
	<u>\$ 14,750</u>	Residual Balance (f)

In the above example, the \$14,750 (f) unrestricted residual balance will be divided three ways.

- ~ 1/3 or \$4,916.66 will be transferred to the center to which the PI is associated;
- ~ 1/3 or \$4,916.66 will be transferred to the PI's CTSA ; and
- ~ 1/3 or \$4,916.66 will be transferred to the Research Institute

Expenditures against these three accounts will be charged full F&A at the then current rates as expenditures are incurred.

Exhibit C: Residual Balance Calculation with Remaining F&A Awarded to Lesser Rate

The below example illustrates the calculation for an award with an F&A rate (25%) reduced from the full Children's Rate (41%)

Award and Expenditure Information	Amount and Supporting Calculation	
a) Total Award Amount:	\$ 50,000	
b) F&A Rate:	25%	Reduced F&A Rate
c) Direct Costs Charged at Time of Closeout:	\$ 30,000	
d) F&A Charge at Time of Closeout:	\$ 30,000	Direct Cost Charged (c)
	x 25%	Reduced F&A Rate (b)
	<u>\$ 7,500</u>	F&A Charged (d)
e) True-up to Children's Full F&A Rate	\$ 30,000	Total Award (c)
	x 41%	Full F&A
	<u>\$ 12,300</u>	F&A Due
	\$ 12,300	F&A Due
	less \$ 7,500	F&A Charged (d)
	<u>\$ 4,800</u>	True-up to Full Rate (e)
f) Residual Balance after F&A Adjustment:	\$ 50,000	Total Award
	less \$ 30,000	Direct Cost (c)
	less \$ 7,500	F&A Charge (d)
	less \$ 4,800	True-up (e)
	<u>\$ 7,700</u>	Residual Balance (f)

In the above example, the \$7,700 (f) unrestricted residual balance will be divided three ways.

- ~ 1/3 or \$2,566.66 will be transferred to the center to which the PI is associated;
- ~ 1/3 or \$2,566.66 will be transferred to the PI's CTSA ; and
- ~ 1/3 or \$2,566.66 will be transferred to the Research Institute

Expenditures against these three accounts will be charged full F&A at the then current rates as expenditures are incurred.

Exhibit D: Notification of Award End Date

Notification of Award End Date

Date: <insert date>

To: <PI Name>
<CBM Name>
<Center Name>

From: Name
Office of Research Finance (ORF)
(XXX) XXX-XXXX
name@seattles.childrens.org

Re: Children's Activity No. <Insert Activity No>
Sponsor/Award Number: <Insert Name/Number>
Short Title: <Insert Title>

This is to advise you that the above referenced activity is scheduled to terminate on _____. Please review the following steps and take the requested action to ensure a timely closeout:

1. Determine if a no-cost extension is required for the award. If so, submit a request for an extension to the Office of Sponsored Research and notify ORF to ensure that a final invoice, report, or reconciliation is not completed. If an extension is not requested or expected, please complete the remaining steps on this checklist.
2. Review anticipated payroll distribution to ensure that charges will cease to post once the end date has been reached.
3. Review any open purchase orders and contact Accounts Payable or Purchasing to close them.
4. Review all costs for appropriateness. Ensure that typically unallowable costs such as office supplies, telephone charges, or postages expenses are appropriateness. Review to any subcontract cost to make sure the charges posted correctly (+/- \$25,000 for example). Remove any unallowable costs.
5. Review to see that subcontracts have been fully paid for invoices submitted, including the final invoice.
6. Submit any pending cost transfer requests so that they can be received and processed by the award end date.
7. Determine if a carryover justification is required to move the unexpended balance from one year to another.
8. Coordinate with the appropriate individuals to complete equipment inventory, invention or patent report, and other applicable documents.
9. If this is a fixed price award and the project is complete, meaning that all study activities have been completed and the final payment from the sponsor has been received, please complete the Fixed Price Closeout Authorization Form and submit to ORF. Refer to the Residual Balance Policy for awards with remaining balances.

If you have any questions, please contact your assigned ORF Accountant.