Policy Statement:
It is the policy of CHLA to charge direct and indirect costs to sponsored projects in a manner consistent with applicable federal requirements, sponsor policies, and award terms and conditions.

In cases of fixed price and fixed award contracts and grants CHLA may be allowed to retain any unspent balance remaining at the end of the award.

At the conclusion of a project and after the final project reconciliation has been completed, Principal Investigators can request residual monies to be transferred to appropriate non-sponsored accounts for discretionary use, subject to CHLA guidelines and procedures and any applicable Division/Department requirements.

Unspent, residual fund balances are calculated as the difference of cash payments received from the sponsor less the total expenditures incurred in support of the project, including the total institutional administrative costs based on CHLA’s established F&A rate for the project type.

Reason for the Policy:
This policy ensures that all appropriate project-related costs are first recovered directly from project funding and that transfer of any residual monies are appropriately administered.

Residual Balance Procedural Guidelines
Introduction and Background:
Residual or unspent funds on sponsored projects occur when the receipt of revenue or cash payments from a sponsor exceeds the total costs (direct and indirect) incurred in the performance of the project. This policy does not apply to cost reimbursable contracts and grants, which should never have residual balances upon closeout.

The funding for the aforementioned agreements or grants may result in residual funds that can be retained by CHLA. Terms of the grant or contract will typically specify whether residual funds can be retained.

Procedure Guidelines:
A. All sponsored awards must be charged all allowable, allocable direct costs, and these costs cannot be charged against other sponsored, Hospital or other accounts

B. Residual balances are calculated based on payments/revenue received by CHLA, not awarded budget or invoiced total.
   a. Residual balances cannot be designated as residual funds until all institutional administrative costs, including the total amount of allocable Facilities and Administrative (indirect) costs have been applied (Reference: Current Negotiated Facilities & Administrative Rates). All residual balances will be subject to the appropriate and full F&A rate at time of close-out, regardless of whether the award was approved for a reduced or waived F&A rate.
b. No reduction or waiver of the deduction will be honored on the balance amount.

C. In cases where the residual balance is 10% or less of the total amount received from the sponsor, the Principal Investigator’s request to transfer the balance to unrestricted funds must include the following: written assurance that all work under the award has been completed, all reports submitted to the sponsor, all costs of conducting the work appropriately have been charged to the project, all invoices have been submitted and all anticipated payments have been received; and written endorsement from the Division Chief and Department Chair.

D. Significant underruns in fixed price accounts can call into question the integrity of the accounting for costs related to the project. Therefore, any residual balance (direct and indirect) of more than 10% of the payments received for the project will require additional written justification by the Principal Investigator to explain the variance in addition to the requirements in Section D. Further, approval is required by the Division Chief (if applicable), the Department Head, and the Vice President, Research Operations prior to balance transfer.

E. The direct costs balance of the project funding will be transferred to non-sponsored accounts by Research Operations. Additional guidelines on the allocation of residual funds to non-sponsored accounts may be instituted by the Investigator’s Department Head and/or Division Chief. These guidelines are at the discretion and under the oversight of the Department Head and/or Division Chief.

F. Cost overruns on sponsored projects under the responsibility of the Principal Investigator will be reviewed at the time of a residual funds balance transfer. Any deficits on sponsored project accounts must be covered by the residual funds balance.

G. The Principal Investigator, Division Chief, Department Head and any appropriate administrative staff will be notified when Research Operations processes the balance transfer.

**Roles & Responsibilities:**

A. **Principal Investigator:** Ensure all costs related to a sponsored project are charged appropriately and are adequately documented and supported.

B. **Department/Division Administration:** Support the PI in ensuring all costs related to a sponsored project are charged appropriately and are adequately documented and supported and identify where a residual balance may exist. Provide Research Operations with required project closeout documentation and required approvals within 90 days of a project’s end.

C. **Department Head:** Assume accountability for some level of technical and fiscal oversight on sponsored projects, including fixed price awards and clinical trials. When significant residual balances (>10% revenue received) are identified, review the Principal Investigator’s justification and confirm the balance is appropriate considering the project and the related costs incurred.
Define and oversee any additional requirements for the allocation of residual balances on awards with Department PIs.

D. Division Chief: When significant residual balances (>10% revenue received) are identified, review the Principal Investigator’s justification and confirm the balance is appropriate considering the project and the related costs incurred. Define and oversee any additional requirements for the allocation of residual balances on awards with Division PIs.

E. Research Operations: Identify when a residual balance remains at the end of a sponsored project and verify the terms and conditions of the award that dictate how the balance is to be handled. Identify an appropriate non-sponsored account where residual balance funds can be transferred. Confirm the residual balance amount, including the direct and indirect cost breakdown, and review award documentation to ensure all sponsored costs are appropriately charged and well-documented and supported. Also review all sponsored projects under the PI for cost overruns that shall be covered by the residual funds. Process residual balance transfers according to CHLA procedure.

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