

## **Residual Funds Policy**

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**Policy Number:** 600-027  
**Effective Date:** April 3, 2007  
**Last Updated:** April 3, 2007  
**Issuing Authority:** Vice President for Research and Compliance  
**Responsible Offices:** Grant Contract Accounting (GCA)

### **Purpose:**

To provide guidance to confirm that there has been a proper accounting and closeout of sponsored program accounts after the project has concluded and that the terms and conditions have been met (i.e., all reports and deliverables required by the agreement have been provided to the sponsor) and to ensure the proper allocation and/or distribution of residual funds remaining after these tasks have been completed.

### **Policy:**

It is the policy of Howard University and all related entities, business units, subsidiaries and affiliated organizations including, but not limited to, Howard University Hospital (hereinafter referred to collectively as "Howard University") that residual balances remaining at the end of a fixed price agreement in which Howard University does not have to return the balance to the sponsor will be transferred to the Dean of the Principal Investigator/Program Director (PI/PD)'s college/school less F&A costs. Prior to transferring any remaining balance for these types of agreements, Grant Contract Accounting (GCA) confirms with the PI/PD that all allocable expenses have been charged to the project and all deliverables have been submitted to the sponsor. Residual balances greater than or equal to \$25,000, or greater than 25% of the total award amount, require written justification of the PI/PD and the approval of the Office of Sponsored Programs Manager prior to transfer.

### **Business Process Description:**

Most sponsored programs require Howard University to return unspent funds at the end of the project; these are cost reimbursed agreements. Some agreements permit Howard University to retain funds remaining at the end of the project; these are fixed price agreements. There may be variations on these basic agreement types. The type of arrangement should be documented in the written agreement between Howard University and the sponsor.

Howard University assumes that sponsored programs are cost reimbursed unless there is documentation that states otherwise. This documentation can be found in the award notice, the written agreement between Howard University and the sponsor, an amendment to the written agreement, or written clarification provided by the sponsor. If there is uncertainty regarding the type of agreement, or the agreement is unclear as drafted, the Office of Sponsored Projects/Research Administration (OSP/RA) requests written clarification from the sponsor in the form of an amendment, a letter, or an email from an individual authorized to provide such a determination. If there is any doubt as to what type of documentation should be used, a formal written amendment to the agreement is used as a default.

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If there are residual balances remaining on a fixed price agreement, the Accountant contacts the PI/PD to verify by email 1) that all allocable expenses have been charged to the project and there are no outstanding invoices/obligations (e.g., subcontract invoices, purchase orders, etc.) and 2) all deliverables and other programmatic requirements have been satisfied. The Accountant copies the Research Administrator (RA) on the email who reviews the project to determine if there are any outstanding issues that need to be addressed prior to transfer of the residual.

**It is the responsibility of the PI/PD to ensure that all appropriate expenses are charged to the project and that all required deliverables, except for financial reports and invoices that are completed by GCA, are submitted to the sponsor.** Once verified, residual balances on a cost reimbursed project are returned to the sponsor and residual balances on a fixed price project are transferred to the Dean of the PI/PD's college or school or, in the case of multiple PI/PDs or Co-PI/PDs, the residual balance is distributed to the schools/colleges involved in the same proportion as the respective schools/colleges' aggregate F&A recoveries are distributed.

If the residual funds balance is greater than or equal to \$25,000 or greater than 25% of the total amount awarded, the PI/PD must provide a written justification to the Accountant, preferably by email, as to why the remaining balance is substantial. The Accountant forwards this justification to the OSP MANAGER for the OSP MANAGER's consideration when making a decision on the transfer of residual funds to the college(s)/school(s).

If there are deficits in another one of the PI/PD's sponsored program accounts (or in an account of one of the multiple PI/PDs/Co-PI/PDs, if these exist, and the respective school/college is eligible for receipt of some or all of the residual balance), the Accountant asks the Controller for a determination of whether the residual should be transferred to the deficit account(s) rather than to the PI/PD's college(s)/school(s). If the Controller requests that the residual funds (or a portion thereof) be transferred to satisfy the deficit(s), the Accountant will notify the PI/PD(s) of that determination.

Before residual funds are transferred to the PI/PDs' college(s)/school(s), the Facilities & Administrative Costs (F&A) rate in the agreement is calculated on the total award amount and deducted from the residual funds.

### Example I (Single PI/PD)

A \$3,000 (direct and F&A) residual balance remains at the end of a fixed price project and all deliverables have been met. The total amount awarded for the project was \$15,000. The F&A rate agreed to by the sponsor was 10%. Thus, 10% will be multiplied by the direct cost amount and deducted from the residual balance; the remainder is transferred to the college/school.

CALCULATION: \$3,000 (\$2,727.27 in direct costs and \$272.73 in indirect costs) - \$272.73 (10% of the direct costs) = **\$2,727.27** which is transferred to the PI/PD's college/school.

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### Example II (Multiple PI/PDs or Co-PI/PDs)

A \$25,160 residual balance remains at the end of a fixed price project and all deliverables have been met. The total amount of the award was \$300,000. The OSP MANAGER has approved the transfer of the residual balance. Howard University's F&A rate on the award was 48% and it was split in an 85/15 proportion between the University and the schools involved. The aggregate school portions were split on a 60/40 basis between School A accounts and School B accounts.

#### CALCULATION:

$$\begin{aligned}\text{Residual Balance} &= \text{Direct Costs} + \text{Indirect Costs (F\&A)} \\ \$25,160 &= \$17,000 + \$8,160 \\ \text{Paid to F\&A account} &= \$8,160 \text{ (not to be distributed)} \\ \text{Amount for Distribution} &= \$17,000 \\ \text{Amount to School A Dean} &= \$10,200 \text{ (60\%)} \\ \text{Amount to School B Dean} &= \$6,800 \text{ (40\%)}\end{aligned}$$

GCA provides written notification to the college(s)/school(s). If there are any restrictions on the use of the residual funds, the Dean is responsible for spending residual funds in accordance with the sponsor's policy and restrictions noted by GCA.

The Dean is responsible for ensuring that residual funds transferred to the Dean's college/school are spent in accordance with the mission of Howard University. Residual funds may not be used for the personal benefit of the PI/PD or any other individual(s).

### Roles and Responsibilities:

#### **Academic Department**

- **Principal Investigator/Program Director (PI/PD):** Upon notification from the Accountant that the project has residual funds, the PI/PD determines if there are additional expenditures that have not been paid and notifies the Accountant by email. Once all expenditures have been paid, the PI/PD certifies that all terms of the agreement have been met before residual funds are transferred to the appropriate academic college/school. If the residual funds balance is greater than or equal to \$25,000 or greater than 25% of the total amount awarded, the PI/PD must provide a written justification to the Accountant, preferably by email, as to why the remaining balance is substantial.
- **Dean:** The Dean is responsible for ensuring that the residual funds received from a sponsored program are spent in a manner that is consistent with the Howard University mission (e.g., to supplement deficits on other programs, do not inure to the PI/PD, etc.) and that does not conflict with any applicable terms and conditions of the award.

#### **Office of Sponsored Programs/Research Administration (OSP/RA)**

- **Research Administrator (RA):** In the event that there is a question regarding the type of agreement, the RA requests written clarification from the sponsor. Upon receipt of the email to the PI/PD from the Accountant, the RA reviews the file to determine if there are any outstanding issues

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to be addressed prior to the transfer of the residual balance. The RA coordinates any issues with the PI/PD and the Accountant as necessary.

### Office of the Vice President for Research and Compliance (OVPRC)

- **OSP MANAGER** – Reviews the e-mail justification for residual balances greater than or equal to \$25,000 or greater than 25% of the total award provided by the PI/PD and forwarded from the Accountant. Approves/disapproves the residual fund transfer to the PI/PD's college/school (or to multiple colleges/schools in the case of multiple PI/PDs or Co-PI/PDs).

### Grant Contract Accounting (GCA)

- **Accountant:** The Accountant emails the PI/PD (with copy to the RA) to confirm whether all project/program-related expenditures have been paid and charged to the project's account. Upon notification that all expenses have been paid, the Accountant determines whether the agreement is a fixed or cost reimbursed project. If the agreement is cost reimbursed (or fixed with an obligation to return residual funds), the Accountant refunds the residual amount to the sponsor. If the agreement is fixed, then the Accountant transfers any residual balance to an account in the PI/PD's college/school designated by the Dean. If there is a residual balance greater than \$25,000, or greater than 25% of the project/program amount, the Accountant requests justification from the PI/PD for the high residual and forwards this justification to the OSP MANAGER for the OSP MANAGER's consideration when making a decision on the transfer of residual funds to the college/school. If the PI/PD has deficit balances in other accounts, the Accountant asks the Controller for a determination of whether the residual should be transferred to the deficit account rather than to the PI/PD's college/school. Once the proper transfer has taken place, the Accountant deactivates the sponsored program account in the university accounting system.

### Office of Senior Vice President, Chief Financial Officer and Treasurer

- **Controller:** The Controller makes the final decision regarding whether to transfer residual funds to another of the PI/PD's accounts that is in deficit or to transfer the residual to the PI/PD's college/school.

### Related Processes/Events:

- Financial Reporting Policy
- Cost Sharing Policy
- Proposal Development & Submission Policy

### Forms and Links:

- OVPRC Website <http://ovprc.howard.edu>