

PRINCIPAL INVESTIGATOR (PI) DISCRETIONARY RESEARCH FUNDS

OVERVIEW

This document establishes procedures for creating and maintaining Principal Investigator (PI) Discretionary Research Funds (PDRF) and requesting the transfer of residual balances to these PDRF Funds.

PURPOSE

This guideline describes establishment of PDRF and the process for residual balances from fixed-price, fee-for-service or fixed fee agreements such as clinical trials awards from externally funded sponsored programs at Lurie Children's Hospital. The process provides a consistent method of obtaining approval for the transfer of residual funds and ensures that transfers of residual balances to PDRF are not prohibited by any requirements provided by the original sponsor. The PI and Division Administrator/Department Administrator (DA) or equivalent administrator must ensure that residual funds transferred to the PDRF are used to advance the PI's research and support the mission of the Department and the Stanley Manne Children's Research Institute (Manne Research Institute) and do not create a possible conflict of interest for the PI.

DEFINITIONS

End Date: The period of award performance end as established by the agreement. Modification of the end date can only be done with approval of the sponsor. Requests for extensions must be processed through the Office of Sponsored Programs (OSP.) The Office of Post Award Financial Management (PAFM) will revise the end date following receipt of agency approval from Sponsored Programs.

Cost Reimbursement Awards: A sponsored agreement or contract in which the sponsor reimburses for any actual, approved projects costs within whatever variances the sponsors allow.

Fee-for-Service Awards: A sponsored agreement or contract in which the sponsor agrees to pay an upfront, predetermined price, for agreed upon services or individual tasks performed as described in the scope of work (SOW.)

Fixed-Fee Agreements: (e.g., industry sponsored clinical trials): A contract in which the cost of individual activities is identified and agreed upon. The most common use of fixed fee activities is those associated with a clinical trial where the sponsor and Lurie Children's Hospital agree to a per-patient reimbursement (PPR) or on set fees for tests or specific milestones as serviced are provided.

Fixed-Price Awards: A fixed price award is provided to Lurie Children's Hospital by an external funding agency when a fair price for the anticipated scope of work is determined at the proposal stage. Costs are pre-determined based on a fixed fee per unit of service or product. The total award is not subject to any upward or downward adjustment of funds based on actual costs. There is no stipulation or expectation that excess funds be returned to the funding agency.

Residual Funds: Residual funds are unobligated, unspent cash balances remaining in a funded sponsored project at the end of an award. If deliverables have been met and accepted by the sponsor, funds

remaining at the end of the project period belong to Lurie Children's Hospital. Lurie Children's Hospital earns a predetermined fixed amount, regardless of the actual costs, for services performed. Residuals occur only when the revenue is greater than the expense incurred. Revenue is recognized when payment is received.

PI DISCRETIONARY RESEARCH FUNDS (PDRF)

All PI Discretionary Research Funds will be created using the following criteria:

- Under Fund series 97XXXX as a Discretionary Research project
- One Fund per PI
- The sponsor will be "Multiple Sponsors"
- The Fund description will be "PDRF – PI Name"
- Only residual balance transfers should be added to the established PI Discretionary Research Fund
- Initial amount to create a PDRF is \$200 (when under \$200 and PDRF not established, the balance will be transferred to a centralized Manne Research Institute fund)

RESIDUAL BALANCES

All the following must be met before submitting a request to move the remaining balance of a fixed-price or fee-for-service award or a fixed fee/ PPR agreement to a PDRF:

- All required Activities/Scope of Work (SOW) is complete, and all reports and other deliverables have been provided to and accepted by the Sponsor.
- The project is fixed-price, fixed-fee or fee-for-service (i.e., there is no provision for return of unexpended funds to the Sponsor).
- All expenses related to the completed work have been properly charged to the project account, including PI and staff personnel expenses. (All transfers have been completed and are applied to the project in Lawson).
- No other sponsored funds were used for the project.
- All payments required from the Sponsor have been received by Lurie Children's Hospital and appropriately applied to the project Fund in Lawson.
- The project budget in Lawson and award amount in Cayuse have been verified to accurately reflect the cash received for all invoices and/or required payments. **Note:** *If this is a fixed-fee agreement (e.g., PPR), please ensure the budget accurately reflects all anticipated payments including study closeout payments.*
- The funds in the PDRF will be used to further PI's research efforts at the Manne Research Institute.
- If the remaining cash balance is more than 25% of the total award amount, a more detailed written justification will be required.

Negative Balance on a Cost Reimbursement Award, Fixed-Price Award or Fixed Fee Agreement (e.g. PPR Fund)

At the close of all cost-reimbursable awards, fixed-price awards, or fixed-fee agreements, the PI and PAFM will certify that all costs are allowable, allocable and reasonable for the work performed on the project. If the negative balance remains in the project Fund after this process, the negative balance will be transferred in lump sum to the PI's PDRF if funds are available to offset these expenses. This practice meets the OMB Uniform Guidance stating overruns cannot be moved to other sponsored projects. If a

sufficient balance is not available in the PDRF, the PI and DA will identify the appropriate divisional or departmental funding to cover the negative balance.

MAINTENANCE OF PDRF

The funds transferred to the PDRF Fund are no longer subject to the terms and conditions of the original award(s). These funds are intended to support PI's research and advancement of the Division/Department and Manne Research Institute research mission.

PDRF will be extended if a balance remains positive on the 97XXXX Fund. A review of the PDRF will occur at the end of each fiscal year with the PI, DA, Research Business Manager (RBM), and PAFM.

In the event the PI leaves Lurie Children's Hospital, the DA and Chief Operating Officer of Manne Research Institute will review the PDRF remaining balance, outstanding research-related expenses, and anticipated plans for continuation of the research program and provide a recommendation for the use of the remaining balance to the President and Chief Research Officer of Manne Research Institute and the relevant Department Chair, including continued use within the Division/Department in support of the research program, reallocation of the remaining balance within the Division/Department in support of a aligned research program, or the reallocation of the remaining balance to research priorities designated by the President and Chief Research Officer. The President and Chief Research Officer and the relevant Department Chair will make final decisions regarding the use of any remaining PDRF balances.

USAGE OF PDRF

The Usage Guidelines ensure sound and consistent business practices, timely and accurate recording of expenses and compliance with tax regulations under the Internal Revenue Code. These guidelines do not address expenses related to sponsored research, which are specified by Sponsor Policies, OMB Uniform Guidance, and the Manne Research Institute.

Purchases must be in accordance with all Lurie Children's Hospital and Manne Research Institute procurement policies and procedures. All items purchased with discretionary research funds are the property of the Manne Research Institute/Lurie Children's. All expenses must be made with the intent to support the PI's research and advancement of the research mission.

Eligible Expenses – The PI and/or the DA must ensure expenses charged to discretionary research funds are for legitimate business purposes as defined under IRS regulations and Lurie Children's Hospital policies and guidelines. All expenses charged on discretionary research funds need to be fully documented with reference to the professional research activity being conducted.

Examples of eligible expenditures are:

1. Salary and fringe benefits supporting research activities for PIs, research assistants, post-doctoral fellows, students or clinical research staff.
2. Travel to meetings of professional associations for research activities.
3. Memberships in professional organizations in support of the PI's research.

4. Books, journals, subscriptions to professional periodicals and other scholarly materials in support of the PI's research.
5. Journal and manuscript submission fees.
6. Specialized software, other than software routinely provided by Lurie Children's Hospital, for research. These must be compatible with existing equipment and systems, and installment and maintenance requirements verified and completed through the Office of Information Management.
7. Business-related postal or shipping charges for research-related items (FedEx, UPS, Airborne, etc.).
8. Computer and computer peripherals with a justification supporting the research use. These must be compatible with existing equipment and systems, and installment and maintenance requirements verified and completed through Office of Information Management.
9. Specialized databases and data collection costs required for research.
10. Business-related meals or hosted professional functions related to research colloquium activities with outside attendees.
11. Professional license or certification fees related to research.
12. Research equipment, materials and supplies.

Ineligible Expenses – PDRF Funds must follow Children's Hospital of Chicago Medical Center *Finance policies*. Personal expenses of any kind are not eligible for reimbursement through discretionary research funds. Discretionary research funds are not considered personal compensation and cannot be used to fund supplemental payments to a faculty or staff member.

Examples of ineligible expenditures are:

1. Non-business related individual events or gifts
2. Meals for staff and internal meetings.
3. Alcoholic beverages unless they meet the requirements in the *Food and Beverage Policy*.
4. Personal expenses while traveling (examples: laundry, movies, spa services, etc.).
5. Non-Professional membership dues, such as, country club, private club, athletic club, golf club, tennis club or similar recreational organization not used solely for business purposes

RESIDUAL BALANCE TRANSFER PROCESS

The Office of Research Business Management (RBM) will confirm that the award end date has passed and review the terms and conditions of the award to determine whether the unexpended funds may be retained or must be returned to the Sponsor. If the award documentation is unclear as to whether the award may be categorized into one of the three award classifications defined above, or the awarding document does not provide adequate instructions:

- OSP and RBM staff will consult to agree on interpretation of the terms and conditions. If still unclear, a request to retain the residual balance (for research purposes) will be sent to the sponsor accompanied by the final financial report, if appropriate. Lurie Children's Hospital will request that the Sponsor respond within 30 days from the date of the request.
- If the Sponsor does not acknowledge or reply within the designated 30-day period, Lurie Children's Hospital retains the balance and the balance, if applicable, will be transferred to a PDRF.

- In the event the Sponsor requests the residual funds be returned, Lurie Children's Hospital is obligated to return the applicable balance to the sponsor. The RBM Office will initiate the return of the balance to the Sponsor and subsequently close the award.

DA or equivalent administrator will review and approve the Financial Summary Closeout prepared by the RBM Office to ensure that all sponsored funds have been received, all expenses related to the project are reflected in the account, all effort that has been charged to the project is in line with the work performed, and all award requirements have been met. If the project is not complete, a no-cost extension will be requested to the Sponsor by OSP.

- All costs related to a project must be charged to the account at the time the cost is incurred. Investigators may not utilize other funds (operating funds or other restricted funds) to support the project in order to generate a residual balance at the end of a project.
- Accounts should be closed within a reasonable period after the termination date, but no later than six months after the termination date (or approved extensions).
- The project budget in Lawson and award amount in Cayuse have been verified to accurately reflect the cash received for all invoices and/or required payments. **Note:** *If this is a PPR, the expectation is that the budget accurately reflects all anticipated payments including study closeout payments.*

Once the final unexpended balance is determined, the RBM Office will calculate the indirect costs at the applicable negotiated F&A rate, and Manne Research Institute will retain the indirect cost recovery on the remaining balance. If no indirect costs were included in the original award, a 30% rate will be used at time of transfer to the PDRF.

To initiate the Residual Balance Transfer process, the PI must confirm the following by signing the Fixed Price Award Residual Balance Transfer Form:

- All work was completed.
- No outstanding work activities or deliverables remain open or in question by the Sponsor (and expenses are in accordance with the terms and conditions of the agreement and the negotiated budget).
- All required technical reports were received and/or accepted by the Sponsor.
- All invoices/financial reports for the project were submitted and all payments have been received by Lurie Children's Hospital.
- All applicable expenditures have been charged to the award as reflected on the Financial Summary Closeout prepared by the RBM Office.

When the unexpended balance after award closeout **is $\geq 25\%$** of the total sponsored award amount or total payment received:

- The PI will submit a detailed explanation to their respective Department Chair or designee for approval.
- Once approved, PAFM will transfer the unexpended balance to the specified PDRF Fund and notify the PI, DA/PM, OSP and RBM that the transfer has occurred.
- PAFM will close the fixed price sponsored Fund in Lawson and OSP will close the fixed price sponsored award in Cayuse.

ROLES AND RESPONSIBILITIES

	PI	DA/PM	RBM	OSP	PAFM	Manne Research	Dept Chair/ Designee
PI Discretionary Research Fund Creation	I	I	C		S		
Financial Summary Closeout/Fixed Price Residual Transfer Request	S	S	C	I	I		>25% S
Balance Transfer	I	I	I	I	S		
Document expense with research purpose	C	C/S	S				
Annual Review of Funds	I	I	C		I		
Negative Balance Transfer	C	C				I	
PI Leaves/Ineligible – PDRF Balance Review and Action		I	C		S	S	S
Lawson/Cayuse Final Amounts Calculation and Transfer			C	S	S		

C = Create/Initial the document/process
I = Informational

S = Signature Approval/Complete the process

FAQs

The PI has retired, what happens to the residual balances on his/her fixed-price projects?

If the PI is an active emeritus professor, balances can be moved using the normal residual balance process.

If the PI is an inactive emeritus professor or is no longer at Lurie Children's Hospital, the President and Chief Research Officer with the relevant Department Chair will decide where the balance should be moved.

How can the funds in the PDRF Fund be used?

The funds should be used by the PI to further his/her research activities provided normal Research Institute procurement procedures are followed.

Why was the balance that was added to the PDRF Fund smaller than the remaining balance on the fixed-price/PPR project?

Indirect costs are charged to the fixed-price project during the residual balance transfer process to recover applicable facilities and administrative costs associated with the implementation and management of the project. Residual balances are direct cost balances only.

If I have a fixed-price/PPR project that is in overdraft status, can the balance be combined with another fixed-price project and then moved to a PDRF Fund?

No, each fixed-price/PPR project is considered separately since the unspent balance does not become unrestricted until it is moved during the residual transfer process.

Fixed-price/PPR projects should be monitored regularly to avoid overdrafts. Cost transfers must be submitted using the Cost Transfer Process if there is an oversight and the project does become overdrawn.

When will a PI's PDRF fund be closed?

Each PI should only have one PDRF established. That Fund should be used for all current and future residual transfers from eligible sponsored projects. A PDRF should only be closed if the PI is no longer at the Lurie Children's Hospital, an inactive emeritus professor, or no longer eligible to be a PI.

What if the F&A rate used during the Period of Performance is less than the full F&A rate?

This may occur because of a waiver or other reason, non-profit published guidelines. The budget is based on the best estimate of the funds needed to complete the SOW. Since the SOW was completed, the full applicable negotiated F&A rate will be used for the indirect portion of the transfer.

When multiple PIs are involved, should the balance be shared among the units?

No, the primary PI should receive the balance.