



University of Pittsburgh

FINANCIAL GUIDELINE

Residual Funds on
Subject: Sponsored Projects

I. Guideline Background

Residual or unspent funds on sponsored projects occur when the receipt of revenue or cash from a sponsor exceeds the costs identified and incurred on the project. Since the majority of sponsored projects received by the University are cost reimbursable from a financial accounting perspective, these residual funds on sponsored projects must be returned to the sponsor unless otherwise instructed by the sponsor. Funds cannot be unilaterally retained by the University. Failure to return residual funds related to sponsored projects can result in fines, penalties, loss of current and future funding and embarrassment to the University.

II. Scope

This guideline establishes the requirements for accounting and disposition of residual funds on sponsored grants and contracts on the financial accounting records of the University in accordance with Federal and other agency regulations. This policy also establishes the following responsibilities for residual funds on sponsored projects:

Principal Investigator (PI) and Departmental/Research Administrator

- ensure the timely disposition of residual funds on sponsored projects through coordination with the Office of Research and Research/Cost Accounting
- determine the proper accounting and disposition of residual funds on sponsored projects in accordance with sponsor requirements and this guideline

Office of Research

- facilitate the timely disposition of residual funds on sponsored projects by advising and coordinating with the principal investigator and department administrator, and Research/Cost Accounting

Research/Cost Accounting

- provide departmental support on policy issues related to residual funds on sponsored projects



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II. Scope (con't)

- ensure the proper accounting for and disposition of residual funds on sponsored projects in accordance with federal and other agency regulations and sponsor requirements and an adequate system of internal control

III. Guideline

The University 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 University's execution of its responsibilities under sponsored projects.

The standard practice of the University is to return any residual funds on sponsored projects to the sponsoring agency. Sponsors normally require residual funds on sponsored projects to be returned to them upon completion of the award.

As federal, state and local government agencies, as well as voluntary health organizations (such as the American Heart Association and the American Cancer Society) prohibit the gifting of sponsored project funds to the University, residual balances on sponsored projects funded by these organizations will be returned to these sponsors without exception.

On occasion, private foundations and company sponsors will allow the University to retain residual funding on sponsored projects as a gift to the University. Although the accounting required to transfer these residual funds to gift accounts is simple, the justification for the transfer in accordance with the terms and conditions of individual sponsored projects is an important process and can be complicated.

Gifts represent a financial transaction of different economic substance to the University than sponsored projects. Reference the financial guideline for the determination of whether University funding qualifies as either a sponsored project or a gift from an accounting perspective. Some attributes of each account type follows:



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III. Guideline (con't)

Sponsored Projects	Gifts
<ul style="list-style-type: none"> administered by the Office of Research recorded in entity 05 accounts restricted for a specific work scope maximum fiscal accountability to sponsor typically negotiable and revocable 	<ul style="list-style-type: none"> processed by the Office of Institutional Advancement recorded in entity 04 accounts restricted for a general intent or purpose minimum fiscal accountability to donor typically negotiable, but not revocable

Research/Cost Accounting will process requests for transfer of residual funds on non-governmental sponsored projects to gift accounts (excluding fixed price drug company sponsored accounts discussed in the next section) provided the following conditions are met:

- notification is obtained in writing from an independent source at the sponsor. Verbal authorizations from sponsors, principal investigators or departmental/research administrators are not sufficient and will not be accepted
- the written notification must clearly state that the intent of the sponsor is to gift the residual funds on a specific sponsored project to the department or principal investigator
- the written notification must clearly state the approximate amount of the gift
- the transfer must be approved by the senior financial administration of the applicable school or responsibility center
- the written notification must be forwarded to Research/Cost Accounting with a copy to Institutional Advancement

Once Research/Cost Accounting has been informed that a department is requesting retention of residual funds on a sponsored project, approximately 60 days will be allowed for receipt of the sponsor's written approval to retain residual funds as a gift. Beyond that, residual funds will be returned to the sponsor in accordance with sponsor requirements.



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III. Guideline (con't)

Drug Studies

Residual funds on drug studies and other clinical trials that represent fixed price agreements may be transferred to entity 04 gift accounts upon completion without written permission from the sponsor.

However, accounting guidance specifically related to pharmaceutical company sponsored accounts follows:

- Although these accounts are fixed price (as opposed to cost reimbursable), direct costs related to these accounts must continue to be identified and charged against these accounts and not other sponsored (entity 05) accounts or University (entity 02) accounts. That is to say, charges to drug study accounts will reflect all actual effort and related costs incurred - without exception.
- Costs related to pharmaceutical accounts cannot be managed in a manner that direct costs specifically identified and related to the account are diverted to other departmental accounts with the sole purpose of increasing the amount of the residual balance of funds in the drug or pharmaceutical study account. Significant underruns in such accounts call into question the integrity of the accounting for costs related to the study.
- When the activity related to the account is complete, (whether or not the project end date has been reached) any residual funds can be transferred to a departmental gift account via a brief written request to Research/Cost Accounting from the departmental/research administrator. Activity related to the account includes effort, protocol requirements and final review of the data, as well as any additional information that may be required from the University.
- Once the residual funds related to the pharmaceutical account are transferred to a departmental gift account, the department may charge the gift account as directed by departmental management.

Accounting for costs related to pharmaceutical studies must be consistent with the accounting for all sponsored project accounts to ensure that other University sponsors and other University accounts are not improperly charged for unrelated costs.



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III. Guideline (con't)

No-Cost Extensions

No-cost extensions on sponsored projects are required when project delays and other unforeseen circumstances result in the extension of a project's period of performance at no additional cost to the sponsor. No-cost extensions facilitate the proper administration of the project by the University, are requested through and approved by the Office of Research and are granted in writing by the sponsor via an official grant amendment or similar communication. Internal no-cost extensions may be granted by the Office of Research, in limited circumstances, where a project is a federal award falling under expanded authority; or is a project that has a completion date that is undesignated in the award document and additional time is necessary to complete the study beyond the self-imposed completion date assigned by the University.

No-cost extensions must never be requested or granted when the effort related to the project is complete and the intent of the extension is to spend residual sponsored project funds by charging unrelated costs to the project. In addition, a pattern of no-cost extensions, over an extended period of time on a grant or grants, may be indicative of the need for improvements in the department's financial accounting systems and internal control procedures. These practices are unacceptable and will not be supported by the University as it violates sponsor regulations as well as the University's own internal guidelines. Reference the financial guidelines on the Allowability of Costs and Direct Charging Practices.

IV. Definitions

Cost Reimbursable – a type of sponsored project that permits the reimbursement of costs by a sponsor on the basis of costs specifically identified to and incurred on that project.

Departmental/Research Administrator – the individual designated by the department or Principal Investigator who is responsible for the financial accounting, budgeting and administration of the department's sponsored awards.



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IV. Definitions (con't)

Department Chair – the individual designated by the Dean of the school who is responsible for the general financial and administrative oversight of grant and contract activities conducted by the department within the respective school or college.

Direct Cost – those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Drug Studies – also referred to as pharmaceutical studies or clinical trials that represent fixed price agreements that are reimbursed based on a pre-determined price or fixed fee per unit of service or product.

Fixed Price – a type of sponsored project that permits the reimbursement for services or products based on a pre-determined price or fixed fee per unit of service or product.

Gift – a non-reciprocal transfer of funds with a charitable intent for which the donor may or may not have certain expectations.

Sponsored Project – or grant is any externally funded research, scholarly or public service activity that has a defined scope of work or set of objectives which provides a basis for sponsor requirements or expectations.

Indirect or Facilities and Administrative (F&A) Costs – those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.

No-cost Extension – the administrative extension of the period of performance of a sponsored project that allows for project completion at no additional cost to the sponsor.

Principal Investigator – the individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and



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IV. Definitions (con't)

direction of the project or activity. At the discretion of the Dean, a principal investigator for sponsored programs is typically a tenured or tenured stream faculty but can also include other members of the academic community such as research associates or non-tenure stream research/clinical faculty.

Residual Funds – sponsored projects funds that result from the receipt of revenue or funding from a sponsor that exceeds the costs identified and incurred related to that project.

V. References

OMB Circular A-21 B.

A proper system of internal accounting and administrative controls for sponsored projects at colleges and universities.

Financial Guideline on Direct Charging Practices

Financial Guideline on Sponsored Projects vs. Gifts