Residual Accounts Policy

I. Purpose: To describe the creation, use, and maintenance of residual accounts. A residual account is established when a sponsored research project is fully closed out with all expenses paid, including reimbursement to VA for services, and PAVIR has no obligation to return funds to the sponsor. In most cases residual funds are derived from industry sponsored awards, but residuals may also be generated from Fixed Price, Fixed Fee and Fee for Services awards.

II. Policy: PAVIR recognizes the value to Principal Investigators (PIs) of funds without external obligations or expiration dates yet does not support the concept of residual funds being accumulated without a plan for their use. All aspects of this policy apply to current and future Residual Accounts.

III. Financial Impact on PAVIR: Implementing this policy and appropriately using the funds in the residual accounts benefits PAVIR by protecting and increasing our negotiated Indirect Cost Rate. When funds from residual accounts are spent on indirect cost pool allowable and allocable activities, they protect PAVIR's only source of income supporting the administrative office – indirect revenue.

IV. Fiduciary control: All sponsored awards are made to PAVIR; PAVIR accepts awards on behalf of PIs and is responsible for funds disbursements and asset management. Residual funds are the property of PAVIR and under the control of PAVIR's Board of Directors (Board). Such funds may be transferred into PI accounts and used to support the research and education mission of PAVIR, yet ownership of the funds remains with PAVIR.

V. Procedures: At the end of an award, the PI and the assigned Contract & Grant Analyst (CGA) will review the account to ensure that all charges are appropriate and that all sponsor deliverables have been met. This review should include and assure that no other sponsored funds have been charged in the fulfillment of outcomes/deliverables related to the project; that costs were not charged to standard of care when they should have been considered as research and charged to the sponsored study; and that the study fully paid the VA Palo Alto Health Care System (VAPAHCS) for clinical and ancillary services. Upon finalizing this review, the CGA will confirm in writing PAVIR's ability to retain any remaining funds as applicable and close the PAVIR account. Within 30 days of account closure, PAVIR will establish a residual account and fund it with the unspent funds from the closed account. If the PI already has a residuals account, the funds will be added to the existing account. Statements for these accounts will be auto generated and sent to the PI monthly.

1. In allowing PIs some discretion over these accounts, the Board's intent is that the funds are used to support costs that enhance PAVIR's financial stability such as Bid & Proposal projects which may lead to new awards. The use of these funds on indirect expenses is an important factor in supporting PAVIR's negotiation of its indirect cost rate. Please see our policy on *Administrative Accounts for Indirect Costs* for examples of indirect expenses.
2. Although not as beneficial to PAVIR, and not allowable on PI's Administrative accounts, residual funds may also be spent on Equipment (acquisition costs, including taxes, shipping and installation, of $5,000 or more and a useful life of more than a year) and on non-sponsored or underfunded VA research.

VI. Beginning July 1st each year, with the intent of movement of funds by fiscal year end, PAVIR management will review all Residual Accounts, looking at balances as of the June 30th statement, and at the PI's research and education activity using the following as guidelines.

1. A PI with a Residual Account should have at least one active VA approved research or education project.
    1. PIs with aggregate residual account balances greater than $20,000 as of June 30th and who have generated less than $75,000 in prior fiscal year indirect revenue must submit, by fiscal year end, a one year plan for use of 25% or $25,000 of the funds, whichever is less, to the Chief Executive Officer for approval. CGAs will initiate with the PIs the spending plan process
        1. Re-budgeting during the budget year is allowable. Plans must be updated annually.
        2. A PI's one-year expenditure plan must include use of 25% or $25,000 of residual balance funds, whichever is less, before the plan expires. Funds not spent as planned in the plan year will be taxed 15% at each fiscal year end. For example, if an account plan is to spend $20,000 and $15,000 is spent, then $5,000 will be taxed 15%, or $750.
        3. Absent a plan, residual account balances will be taxed 15% at fiscal year end.
2. If a PI does not have an active VA approved research or education project, the residual funds will remain available to the PI until the end of the subsequent fiscal year to support the indirect costs of either winding down or ramping up their research or education endeavors. If there continues to be no active project at the end of the subsequent fiscal year, the Residual Account will be closed, and any remaining funds will revert to PAVIR administration.
3. Residual Accounts with less than $250 of unobligated funds indicated on the June PI Statement will be identified for closing. PIs will be notified and given until the end of the fiscal year to expend the funds. Any residual accounts that remain open and under $250 at the end of the fiscal year will have the remaining funds transferred to an administrative unrestricted account and used at the discretion of the Board of Directors as delegated to the Chief Executive Officer.

1. If the PI maintains at least one active study at PAVIR she/he may request that the residual funds account remain open until the end of the current active study so any future residual funds may be combined with the existing project.

VII. If the Principal Investigator departs from VAPAHCS the Residual Account will be closed and any balance will revert to PAVIR Administration. See PAVIR's policy on *PAVIR PI Eligibility and Transfer of Funds or Equipment* for more details.

VIII. Exceptions to this policy can be made by the Chief Executive Officer to meet the program and business needs of PIs and PAVIR.