



**HEALTH RESEARCH ASSOCIATION**

1640 Marengo Street – 7<sup>th</sup> Floor  
Los Angeles, CA 90033

**POLICY**

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Subject: <b>RESIDUAL FUNDS</b>		Issued By: <b>FINANCE DEPARTMENT</b>	
		Approved By: Kathleen R. Hurtado <b>President &amp; CEO</b>	
Policy #: 406.1	Issue Date: October 31, 2005	Revised Date: December 11, 2007	Effective Date: April 1, 2007

**BACKGROUND:**

Many industry sponsored clinical research projects will have funds remaining at the end of a project after all expenses are paid, including salaries, research expenses, hospital and laboratory fees, and overhead. A Residual Account (formerly called a “Various Account”) is created for each Principal Investigator (PI) to hold remaining funds from closed out and completed industry sponsored project accounts. These funds are generally used by PI’s for salary support of research staff, start up costs for new projects and other research related expenses. If a PI already has a Residual Account, and if a completed project has residual funds, those funds are transferred to the PI’s existing Residual Account. Otherwise, a new account is created for the PI by the Project Accounting Supervisor during the project close out process. HRA notifies the PI via e-mail of transfers from closed project accounts to a Residual Account.

**HRA OVERHEAD:**

HRA’s policy is to take a one-time 25% overhead charge as an administrative fee at the time that the project is transferred into a Residual Fund Account. The Residual Fund Account is then a zero percent overhead account.

**RESIDUAL ACCOUNT PROCESS – PROJECT CLOSE-OUT:**

HRA is notified of a completed project either through direct communication from the PI (or PI staff) direct communication from the sponsor, or upon receipt of the final payment from the project sponsor. HRA works with the PI and their staff to close-out the project, ensuring that all open purchase orders, salary rebillables, invoices, research related tests and procedures and other items are cleared out and paid. HRA also provides any financial reports required for the sponsor. After the Project Accounting Administrator reviews contract language regarding surplus funds, and ensures that the contract does not require such funds to be returned to the sponsor, the remaining funds are placed in a “Residual Account”. See “Project Close Out” form.



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**RESIDUAL ACCOUNT PROCESS – ALLOWABLE EXPENSES:**

Once funds are placed in a Residual account, the funds may be used at the PI's discretion, as long as it is for research and/or educational purposes. Expenses are monitored and committed by the *Budget Coordinator*, in order to ensure proper approvals and proper business purpose. Afterwards, checks are written through the standard accounts payable process at HRA, and reviewed and approved by the Accounting/Financial Supervisor.

Allowable expenses include:

- Journal Subscriptions;
- Society Memberships;
- Society Meetings – registration and travel;
- Postage;
- Business Telephone;
- Cell Phone and Pagers;
- Office supplies;
- Business Travel;
- Professional License renewals;
- Outside services such as laboratories;
- Project Employee Salaries;
- Employee Bonus (where appropriate);
- Mileage reimbursement for business travel;
- Computer equipment;
- Storage fees for research related documents;
- Clinical Conference Sponsorship;
- Educational luncheons/dinners;
- Staff Meetings and Retreats;
- Parking;
- Rent for research space;
- Shipping;
- Start-up costs for new sponsored projects;
- Continuing Medical Education;
- Repairs for research related equipment;
- Malpractice insurance under special conditions and requiring BOD approval.



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Non-allowable expenses include but are not limited to personal expenses -- e.g. spousal expenses, home expenses, non-business travel, gifts and/or gift certificates, personal loans, alcoholic beverages, personal phone expenses, and individual malpractice insurance. Only in rare and special occasions can malpractice insurance be paid out of the Residual Fund and the request must have both Department Chair and Board approval.

All requests for payment from Residual Accounts must be approved and signed by the PI. If the payment is to the PI for salary support, the Department Chair must sign and approve the payment.

**RESIDUAL ACCOUNT TRANSFERS:**

In the event that a PI leaves the institution by retirement, resignation, or death, his/her residual account remains at HRA in HRA's Sponsored Research and Education Account. This fund will support Seed Grants and other HRA-sponsored research, research support staff salaries and educational activities. No PI is permitted to transfer the funds to a new institution or to an account outside of HRA. A PI may continue to utilize their residual accounts if they are functioning in the capacity of a volunteer, part-time faculty or Professor Emeritus provided that they are actively involved in research related activities for the institution (HRA, USC or LAC).

If the residual fund is in excess of \$50,000 at the time of a PI's departure, 30% of the funds will be allocated to a divisional account that can be utilized to support research related activities only. The division chief will be responsible for the account and will have three years to utilize the funds in the account. The remaining 70% will be transferred to the HRA's Sponsored Research and Education Account.

Once a Residual Fund is opened within HRA, it may not be transferred out to any other account except as outlined above.