

Ann & Robert H. Lurie Children's Hospital of Chicago

Fixed Price Sponsored Awards Policies

(replacing Unexpended Balances Policy, effective date: 9/1/17)

Statement

The Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) has established the following Policies and procedures governing the lifecycle of fixed price sponsored awards in order to comply with institutional, sponsor, and IRS requirements. The Policies outline the administrative requirements for formulating, monitoring, and closing out these types of awards. Fixed price sponsored awards are defined as awards in which an agreed upon, set price is determined in order for the project to be accomplished, regardless of actual costs incurred by Lurie Children's. Many of the fixed price sponsored awards accepted by Lurie Children's are with industry partners; however, federal and non-federal sponsors, including foundations, can issue a fixed price award.

Purpose

Principal Investigators (PIs) and administrators must prepare accurate, detailed proposal budgets and costs associated with the fixed price sponsored award in order to fully capture all resources necessary for the work performed on the project. This contract type places most of the risk on the party performing the work (Lurie Children's), as the cost to provide deliverables may be greater than anticipated at the contract stage, which would require Lurie Children's to absorb the additional costs needed to perform the work. However, the costs to provide the deliverables may be less than anticipated. If the project is performed at a cost below the awarded amount, the residual balance must be treated in accordance with the terms and conditions of the award and/or the sponsor's written policies relating to disposition of residual balances. If the award and sponsor are either silent on this issue and/or allow for residual balances to be retained by Lurie Children's, then the funds can be transferred to an unrestricted, non-sponsored account. As a non-profit institution, Lurie Children's mission is not to seek profit from its research activities; therefore, significant residual balances on fixed price sponsored awards require a detailed justification as to why a large balance exists and also require additional approval.

Eligibility

These Policies apply to all individuals involved with the administration and conduct of fixed price sponsored award activities, including central and departmental sponsored project administrators, principal investigators, and other research personnel.

Roles and Responsibilities

Fixed price sponsored award responsibilities are shared among the following:

PIs/Local Level Unit Managers (LUMs)

- Develop a clear scope of work and deliverables
- Develop detailed budgets that are sufficient given the scope of work, deliverables, and timeline. Also develop budget justifications as required.
 - Preparation of a detailed internal budget is mandatory in order to verify that all costs have been accounted for and also to ensure proper internal fund management. An external budget should only be prepared if required by the sponsor.

- PI effort totaling a minimum of 1% across the project, not per patient, must be included in each budget unless the sponsor specifically disallows the charging of PI time OR one of the exceptions noted in the **Effort Reporting Policy** has been met. Based on historical data, sponsor disallowance of PI time should be an extremely rare occurrence. Allocating these charges to fixed price awards will occur based on true activity and availability of funding.
- Particular attention must be paid to how the work will be completed. If this involves staff, a corresponding budget line item must be included.
- Monitor sponsored award expenditure level during period of performance
 - Certify quarterly salary recovery forms for PI effort
 - Ensure that all appropriate staff salary is being allocated
- Charge all allocable, allowable, and reasonable project costs to the fixed price sponsored award
- For PPR awards, prepare invoices in accordance with the contract, submit to the sponsor, and maintain a tracking spreadsheet denoting all submitted invoices and income received
 - OSPA will be responsible for issuance of the first invoice including startup fees, IRB fees, etc.
- Complete all deliverables as specified in the award
- Inform OSP and RBMs of any delays or issues in completing deliverables or collecting income
- Notify OSP and RBMs of need for a no-cost extension or other award modifications if required
- Review and follow all terms and conditions of the award and sponsor requirements relating to disposition of residual balances
- Prepare and submit the **Fixed Price Balance Transfer Form** to the RBMs, obtaining appropriate signatures depending on dollar amount

Research Business Managers (RBMs)

- Facilitate regular monitoring of awards with the LUMs
- Work with PIs and LUMs to resolve issues on awards as they arise
- Work closely with the LUMs on timing of deliverables, invoicing, and reporting
- Review account to ensure that all sponsored funds have been received, all expenses related to the project are reflected in the account, and all award requirements have been met
- Review and follow all terms and conditions of the award and sponsor requirements relating to disposition of residual balances
- In the absence of an LUM, prepare **Fixed Price Balance Transfer Form** and submit to OSPA for processing
- Review the **Fixed Price Balance Transfer Form** and submit to OSPA for processing

Authorized Approver(s)

- Approvers are individuals approved by central finance and can only be assigned in local units with sufficient internal controls in place and no recent history of relevant internal or external audit findings
- Sign off on the **Fixed Price Balance Transfer Form** if the PI is unavailable
 - In the absence of a local level authorized approver, the responsibility shifts to the Division Level Official

Division Level Officials (DLOs)

- Provide oversight and ensure that local units abide by these Policies and accompanying procedures when processing fixed price balance transfers
- If a local level managing unit does not have an authorized approver, approve the **Fixed Price Balance Transfer Form** if the PI is unavailable
- Provide second level approval on a **Fixed Price Balance Transfer Form** where the residual balance meets the threshold of $\geq 25\%$ of the total sponsored award amount and/or $\geq \$25K$

Associate Chief Research Officers (ACROs)

- Determine the research objectives within their respective content area
- Serve as contacts for LUMs, RBMs, and OSPA for unusually complex issues needing resolution
- Serve as escalation contacts if the DLOs attempts at problem resolution have been unsuccessful

Office for Sponsored Programs Accounting (OSPA)

- For certain fixed price awards, only when it has been determined at award setup that OSPA will be responsible, prepare invoices in accordance with the contract, submit to the sponsor, and track submitted invoices and income received
- Review and follow all terms and conditions of the award and sponsor requirements relating to disposition of residual balances
- Monitor sponsor payments throughout the life of the award and help the LUM with collections if sponsors are not remitting payment in a timely fashion
- Review the **Fixed Price Balance Transfer Form** for any fixed price sponsored award that does not require a return of unexpended funds
- Approve the **Fixed Price Balance Transfer Form** for awards with residual balances meeting the threshold of $\geq 25\%$ of the total sponsored award amount and/or $\geq \$25K$
- Transfer unexpended funds into appropriate account(s)

Office for Sponsored Programs (OSP)

- Request budgets from PIs and LUMs and facilitate review of internal budgets prior to executing agreements
- Use reasonable efforts to negotiate appropriate language about residual balances in all fixed price awards (excluding industry clinical trials)
- Notify OSPA to set up fixed price account once awarded
- Notify PI/LUMs/RBMs of the award
- Review no-cost extension requests or other award modifications, obtain necessary institutional approvals, submit to sponsor, and notify OSPA and RBMs that a modification is pending

Procedures

The following procedures outline the process for fixed price sponsored awards:

Proposal Process

Proposal budgets and budget justifications for fixed price sponsored awards are developed by PIs and LUMs in the same manner as all other proposal budgets. All anticipated line items of direct cost expenses (faculty/ staff effort, fringe, equipment, materials/supplies, lab fees, travel, etc.) required to meet the

sponsor's deliverable(s) should be carefully identified. Per the Lurie Children's **Effort Reporting Policy**, PIs are expected to commit some level of effort ($\geq 1\%$) to research projects, including those under fixed price awards, unless an exception has been identified. Furthermore, the appropriate indirect cost rate (federal and non-federal, including industry clinical trials) should be applied to the budget.

Proposal budgets and budget justifications are reviewed and approved by OSP before submission to the sponsor. When the PIs and LUMs work together with OSP on developing a budget for fixed price sponsored awards, it is important to keep in mind that sponsors are often interested in receiving cost totals to support the very specific deliverable(s) defined in the award terms. The specificity of the sponsor's desired deliverable(s) should guide the PI/ Lurie Children's pricing. Estimates used for determining costs on fixed price sponsored awards should be supported by appropriate documentation. Even if the sponsor does not require that a budget be provided as part of the proposal submission, the PI and LUM should prepare a detailed budget for internal use that supports the total estimated project costs and submit this budget to OSP for review and approval. Careful planning at this stage will ensure a sound, reliable quote to the sponsor and result in a more accurate projection of expenditures.

Award Negotiation, Acceptance, and Management

As with all awards, OSP is responsible for the negotiation of award terms with sponsors. At the time of a fixed price award's account setup, the PI/LUM will identify a "guarantee account" to OSP. A guarantee account means a non-sponsored account that will be charged should the project have a deficit at fund closeout. A different non-sponsored account can be identified at closeout, but establishing a guarantee account upon award setup ensures that the PI and division/department will be responsible for any deficits. Please see the **Sponsored Financial Reporting and Closeout Policies** for more detail.

Lurie Children's sponsored awards are a mix of cost reimbursable and fixed price awards. When Lurie Children's chooses to accept a fixed price sponsored award, the invoicing and close-out procedures differ from cost reimbursable awards. As with cost reimbursable awards, the expenses incurred must be related to the project and incurred within the project period. Furthermore, costs allocable to the project should be charged to the respective account(s) as the project progresses in accordance with the standard Lurie Children's sponsored accounting practices. Unlike cost reimbursable awards, however, fixed price awards might have a residual balance at closeout.

Award Closeout

At the end of the fixed price sponsored award's period of performance, the following steps will be completed:

- RBMs and the LUM will review the account 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 deliverables have been met. If the project is not complete, a no-cost extension will be requested with OSP, who will submit the request to the sponsor.
 - If the award does not denote a specified end date, OSP will default to a 3 year period. At the end of the 3 year period, RBMs will check in with the LUM to determine if the project is still ongoing. If additional time is needed, the RBM will verify all related compliance measures are in place as necessary (i.e. active IRB protocol) and OSPA will extend for

another 3 years or for a shorter period if specified by the LUM. Once extended in Lawson, OSP will extend the dates in Cayuse.

- When the award has a residual balance at closeout, the following actions are required:
 - If the residual balance is $\geq 25\%$ of the total sponsored award amount and/or $\geq \$25K$, the PI/Authorized Approver and Division Level Official will sign and the LUM will submit a **Fixed Price Balance Transfer Form** to their respective RBM with a detailed explanation of the residual balance and the unrestricted, non-sponsored departmental account to which the residual balance should be transferred. This account number can be different than the guarantee account established at account setup. The RBM will review and submit to OSPA for approval and processing.
 - If the residual balance is below the threshold of $\geq 25\%$ of the total sponsored award amount and/or $\geq \$25K$, the PI/Authorized Approver will sign and the LUM will submit a **Fixed Price Balance Transfer Form** to their respective RBM noting the non-sponsored account to which the residual balance should be transferred. This account number can be different than the guarantee account established at account setup. The RBM will review and submit to OSPA for processing.
 - Once the final residual balance is determined, the amount of unrecovered indirect costs will be calculated. The **Fixed Price Balance Transfer Form** includes a calculation tool. The indirect cost recovery rate should equal the award's negotiated indirect cost rate.
- OSPA will transfer the residual balance to the specified non-sponsored account, and notify the PI, OSP, LUM, and RBM that the transfer has occurred.
- OSPA will close the fixed price sponsored account in Lawson and OSP will close the fixed price sponsored account in Cayuse
- In the event an account has had no financial activity for two years or the study has not had an active protocol for one year and has had no activity for the same, and the PI and LUM are non-responsive to inquiries about the status of the study, OSPA may close the fund and distribute the residual balance in accordance with these Policies
 - Should this occur, OSPA will notify the PI, LUM, and RBM

Related Forms

Fixed Price Balance Transfer Form

Cost Transfer Form (Under Development)

Transaction Correction Form (Under Development)

Payroll Correction Form (Under Development)

Related Policies

Sponsored Financial Reporting and Closeout Policies

Cost Transfer Policy (Under Development)

Indirect Cost Rate Policy (Under Development)

Effort Reporting Policy (Under Development)