

## Policy 70.2: Residual Balances

<i>Effective Date:</i>	July 1, 2012
<i>Last Updated:</i>	September 11, 2024
<i>Responsible Office:</i>	Office of Sponsored Projects Administration (OSPA)
<i>Contact:</i>	Post Award Management

### Reason for Policy

This policy shall ensure the proper distribution of residual balances resulting from fixed-price contracts and minimize the burden placed on the institution regarding financial oversight of these funds.

### Policy Statement

A **residual balance** is defined as an unobligated, unspent balance remaining in a sponsored fund at the conclusion of the project. A residual balance occurs when the income or revenue is greater than the expense incurred upon completion of the project. When a residual balance occurs on a fixed price award, the balance is transferred to a college, departmental, or PI residual fund. Colleges have the authority to determine who administers and controls these residual fund balances. All other residual balances are refunded to the sponsor at close-out.

A **fixed-price contract** is a legal agreement in which specific services with defined deliverables are performed for a pre-determined compensation amount. The amount of the fixed-price contract is generally based on an estimate of the anticipated project cost.

The expectation is that a fixed-price award will have the expense closely match the income if the costs were sufficiently determined at the proposal stage. Charges to fixed price contracts must reflect all actual effort and related costs incurred – *without exception*.

Residual balances will incur facilities and administrative (F&A) costs at the University's full federal rate, even if a reduced rate was approved for the award. If a reduced rate was approved at the time of the proposal and if there is a residual balance, the University must be reimbursed the difference between the full and reduced rate prior to distribution of a residual balance to a departmental fund.

At award close-out, if there are residual funds on fixed-price agreements that include the University's full federally-negotiated F&A rate, then the full amount (dollar value) of the originally budgeted F&A will be charged to the project prior to the transfer of residual funds to the department or college.

If the Vice Chancellor of the Division of Research has approved a waiver or reduction of F&A in constructing a fixed-price proposal budget and if there are residual funds at

award close-out, the University will be reimbursed at the full federally-negotiated F&A rate prior to the transfer of residual funds to the department or college.

Residual balances will be transferred to a University trust fund that has been set up to receive residual balances from fixed price awards. The transfer will occur when **all of the following conditions** are met:

- All direct charges and project revenue are accounted for properly.
- All F&A costs are recovered by the University at the standard published rates (*i.e.*, on- or off-campus federal negotiated rate).
- All project deliverables have been provided to the sponsor.
- All project payments have been received from the sponsor.
- All project close-out documents have been provided to OSPA.
- The sponsored agreement does not stipulate otherwise.

Residual balances on fixed price contracts should be used to further University research related activities.

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## **Procedures**

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Residual balances on fixed-price awards that are no longer subject to the restrictions of the contract or grant agreement must be moved to an account outside of the sponsored project fund group. The department must ensure that the project is complete and that costs are allocated correctly to the project before a transfer is initiated. No-cost extensions may not be requested or granted when the effort related to the project is complete and when the intent of the extension would be merely to spend a residual by charging unrelated costs to the project.

A significant residual balance calls into question the budget estimation for the project. Consequently, the OSPA Executive Director or his or her designee must approve transfers of greater than 25% of the award total. Written justification is required to ensure that costs appropriate to the fixed price fund have not been incorrectly charged to other funds.

Residual balances not sufficiently justified by the Principal Investigator within 90 days of the project end date will be transferred to a central university fund and the sponsored fund closed, with notification to the PI.

A residual balance transfer should be requested via the Closing Memo or via email to the grant accountant in OSPA, once all anticipated expenses have been posted.

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## **Exclusions/Exceptions**

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The Vice Chancellor for the Division of Research can approve exceptions to this policy.

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## **Failure to Comply**

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Failure to apply this policy could result in an adverse audit finding as well as forfeiture of the residual income.

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## **Related Information**

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[RA Policy 50.3 - Facilities & Administrative \(F&A\) Costs](#)

[RA Policy 70.1 - Award Closeout](#)