

UADA Policy 305.5

Residual Funds

Purpose

The purpose of this policy is to establish the treatment of residual cash balances after the completion of all deliverables under a fixed price sponsored agreement.

Scope

This policy applies to all residual balances (as defined below) under fixed price sponsored agreements.

Policy

General Overview

Under a fixed price agreement, there is potential for a residual cash balance to remain after all deliverables have been completed. Significant residual balances may call into question the integrity of budgeting for project costs and accounting for project expenses incurred. Additionally, maintaining the residual balances in the project account for an indefinite period increases administrative burden for the Sponsored Programs and Business Offices, as multiple small balances are difficult to track and spend efficiently. Therefore, this policy is intended to:

- strengthen accountability and use of funds,
- provide for accurate budgeting and costing of fixed price award activities,
- ensure accurate reflection of effort in the effort certification process,
- lower the risk of non-compliance, and
- determine the close out treatment of remaining funds.

Definition of Residual Balance

Under a fixed price agreement, the institution agrees to perform specific project deliverables within a specified time frame in exchange for a set (fixed) amount from a Sponsor. The expectation is that a grant worktag will be established to track actual expenses incurred for the project. If project costs are reasonably estimated at the proposal stage, expenses on the grant worktag should closely match the agreement amount. Departments/Principal Investigators (PIs) must ensure costs directly related to fixed price projects are not incorrectly charged against institutional funds, cost reimbursable projects, or federal or non-federal sourced projects.

A fixed price agreement will have a remaining cash balance when the total payments received from the Sponsor exceed the total expenses incurred at the conclusion of the project. For the remaining cash balance to be considered a residual balance, it must meet the following conditions:

- agreement contains provisions allowing any residual funds to be used to further the research program of the PI,
- all deliverables are complete,
- all costs incurred to meet the deliverables have been charged to the grant worktag, and

- all payments from the Sponsor have been received.

Agreements that specify remaining cash balances must be returned to the Sponsor (after all deliverables are complete, all costs have been incurred /charged, and all payments received) are not considered residual balances under this policy.

Closeout of Residual Balance

At the conclusion of the project award period, the Sponsored Programs/Grants Office will confirm with the PI and/or Sponsor that all expenses have been properly recorded in the grant worktag and all deliverables have been provided to the Sponsor. The PI and department will have 120 days after the project's end date to finalize expenses. Once expenses have been finalized, the Sponsored Programs/Grants Office will close out the residual amounts as follows:

1. **Residual balances less than 25% of the total project budget OR less than or equal to \$10,000 –**
The Sponsored Programs/Grants Office will extend the project internally up to one additional year, after which, any remaining indirect costs as determined by the institution's indirect cost policy and/or original award documents will be recorded. The remaining direct cost balance will be transferred to the administering department's Research Incentive Fund (RIF) worktag or another discretionary account as determined by the administering department's department head or delegate.
2. **Residual balances greater than or equal to 25% of total project budget AND more than \$10,000 –**
The Sponsored Programs/Grants Office will extend the project internally up to one additional year, after which, if the residual balance is greater than or equal to 25% of total project budget AND more than \$10,000, the Sponsored Programs/Grants Office will charge out any remaining indirect costs as determined by the institution's indirect cost policy and/or original award documents. The remaining direct cost balance will be transferred to a designated worktag at the discretion of the appropriate Senior Associate Vice President.