



University Operating Procedure

Residual Balances on Sponsored Agreements

Introduction

Sponsored agreements where the sponsoring agencies pay the University a firm price for an agreed upon body of work, regardless of the costs incurred for completing the work, are called fixed price agreements.

Typically there will be little or no unspent balance on fixed price agreements if proposed costs have been correctly estimated and charged and all deliverables have been met. Sometimes, however, an unspent balance, or residual balance, remains at the conclusion of agreements. Those funds, less appropriate facilities and administrative (F&A) costs, will be transferred to an unrestricted chart string for the principal investigator's (PI's) use under the conditions described below.

This operating procedure is intended to provide PI's and their departments access to residual s for uses consistent with their academic units' missions, uninhibited by the former sponsor's requirements, while ensuring that sponsor and University requirements have been satisfied. It is also intended to reduce the administrative burden of unnecessarily carrying residual funds in restricted accounts.

Procedures

Residual balances greater than \$1,000 will be transferred to unrestricted chart strings. F&A costs on the remaining balance, at the rate approved by the sponsor, but in no case less than 20%, will be reduced from the balance before the transfer is made.

Outlined below are the steps that will take place before the transfer of the residual balance.

- PI confirmation that all the project scope of work is complete.
- SPA confirmation that:
 - All reports have been received and accepted by the sponsor.
 - All deliverables have been received and accepted by the sponsor.
 - All payments for the project have been received from the sponsor.
 - No additional items are outstanding.

- Confirmation from the PI or his or her designee, typically a business unit administrator, that all appropriate project costs have been posted to the project chart string.
- For residual direct cost balances greater than \$5,000, approval of the intended use of the funds by the PI's department chairperson and if applicable, Dean.
- For all the residual direct cost balances greater than 20% of the direct costs awarded, an explanation detailing why the actual direct costs were substantially less than anticipated, because:
 - A balance of this relative magnitude may indicate that proposed costs were not reasonable in relation to the work performed, that all expenses have not been correctly allocated, or that the project deliverables were changed.
 - Such large balances may be subject to review by the sponsor or other reviewers or carry other obligations.
 - Large residual balances on federal awards can lead to charges of violation of cost and pricing regulations.

Restrictions on use of residual balances:

- Residual balances must be used only for purposes consistent with the PI's academic unit's mission.
- The intended use of residual direct cost balances greater than \$5,000 must be approved by the PI's department chair and if applicable, Dean.

If residual direct cost balances are greater than 20% of the direct costs awarded, the PI must provide a written explanation, which will be evaluated by SPA for reasonableness.

Upon completion of all appropriate reviews, SPA will move the residual balance into an appropriate unit chart string.

Responsibilities

Sponsored Project Administration (SPA) negotiates and accepts sponsored agreements on behalf of the University and clarifies payment terms at time of award. SPA is responsible for the closeout of sponsored agreements and works closely with the PI to confirm that all expenses have been appropriately charged and all deliverables have been completed. SPA performs the transfer of residual balances as outlined in this procedure.

The Principal Investigator (PI) is responsible for completing project deliverables associated with the type of agreements referenced in this operating procedure, reviewing the project expenses to confirm that all direct costs have been charged appropriately, and explaining direct cost balances greater than 20% of the direct costs awarded. The PI is also responsible for using direct cost balances greater than \$5,000 in accordance with University policy and academic unit mission and for approved uses.

Process

SPA will follow its standard award closeout procedures for all awards and will review all award terms and conditions and reconcile direct and F&A expenditures and receivable balances. SPA will usually complete this analysis within 90 days following the project end date, or sooner if

required by the sponsor. If the review shows that the sponsor owes additional funds, SPA will follow its standard collections procedures to secure payment.

For fixed price agreements, SPA will analyze residual balances and take the following actions depending on the balance available:

For balances of \$1,000 or less, the balance will be moved to a chart string established to support the University's research priorities.

For balances greater than \$1,000, SPA will contact the principal investigator and academic unit administrator and ask for the completion and return of a residual funds chart string request form. Once all conditions described in this procedure have been fulfilled, SPA will transfer direct and indirect funds as described.

Definitions

None

Contacts/Responsible Official

Questions related to the daily operational interpretation of this procedure should be directed to:

Sponsored Project Administration
(802) 656-3360
spa@uvm.edu

The Vice President for Research is the official responsible for the interpretation and administration of this procedure.

Forms

Residual Balance Transfer Request Form
<https://www.uvm.edu/spa/forms-library>

Related Documents/Policies

None

Effective Date

Approved by the Vice President for Research on April 1, 2014