



Sponsored Project Administration Procedure

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| Procedure: | Residual Balances on Sponsored Agreements |
| Owner: | Sponsored Project Administration |
| Effective date: | 5/3/2019 |
| Last Updated: | 5/3/2019 |

Background

Fixed price agreements are based on an agreed upon budget amount (fixed price), and this amount is paid by the sponsor regardless of the actual costs of conducting the sponsored project. Fixed rate agreements (budget bump awards) are based upon a fixed rate per unit rather than a fixed amount. Most fixed price and fixed rate agreements accepted by the University are with industry partners; however, federal and non-federal sponsors, including foundations, can issue a fixed price award.

- Proposal budgets and budget justifications for fixed price sponsored awards are developed by Principal Investigators and departments in the same manner as all other proposal budgets.
- 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.
- When the project costs are above the fixed price award amount in the case of a fixed price agreement or the fixed rate per unit in the case of fixed rate agreements, the sponsor will not provide additional funds to the University to support the additional costs.
- When the project costs are below the fixed price award amount or a fixed rate per unit, the University may keep the unspent, residual balance. 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 the disposition of residual balances.

Agreements that usually permit the University to retain the funds after the work is completed may include the following activities: (1) service delivery in fixed payment increments, (2) deliverables or milestone completion, or (3) patient enrollment payments.

Purpose

The purpose of this procedure is to establish a process that (1) provides access to residual funds remaining on sponsored awards that are considered fixed price agreements, (2) provides a consistent method for obtaining approval for the transfer of residual funds, and (3) ensures that transfers of residual funds to non-sponsored accounts are not prohibited by any requirements provided by the original sponsor.



Roles and Responsibilities

Principal Investigator (with assistance from the Unit Administrator)

- Complete and sign the Fixed Price Memo Close and Residual Balance Transfer Form as directed by the SPA FA, which collects the following confirmations:
 - All work is completed and no outstanding work activities or deliverables remain open.
 - All technical reports have been submitted and/or accepted by the sponsor.
 - All costs made in support of this project have been charged accordingly and are in compliance with the sponsor's award.
 - Agree to use the residual balance for purposes consistent with the research and scholarship mission of the academic department.

SPA Financial Analyst:

- Confirm that all invoices for the project have been submitted and all payments received.
- Review terms and conditions of the award to determine whether the residual balance may be retained by the University.
- Follow up with sponsors, in writing, to obtain clarification if it is unclear whether the residual balance may be retained by the University.
- Prepare the internal final financial report and calculates the total residual balance and components (direct and F&A), as well as the ratio of the direct dollar portion of the residual balance to the total direct dollar awarded amount.
- Completes transfer of residual balances.

Financial Reporting & Accounting Services:

- Work with the PI to budget the residual funds after SPA completes the residual transfer process.

Definitions

Sponsored Award: Funding arrangement in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise.

Fixed Price Award: This type of agreement requires the University to perform the work and make deliveries for a price agreed to up front. The total is not subject to any upward or downward adjustment of funds based on actual costs.

Residual Balance: A combination of direct and indirect costs (also known as facility and administrative (F&A) cost) remaining as an unexpended amount on the award after sponsor obligations have been met, the study has been closed by the sponsor, and payment in full has been received by the University.

Fixed Price Close Memo and Residual Balance Transfer Form: Form used to facilitate the residual balance transfer process.

Direct Costs: Costs that can be specifically identified with a sponsored project, instructional activity, or other institutional activity, and thus directly assigned relatively easily with a high degree of accuracy.



Examples of direct costs include, but are not limited to salaries and wages, fringe benefits, equipment, supplies, travel, and publication expenses.

Indirect Costs (Facilities and Administrative (F&A) Costs): The costs of administrative and support functions of the University including general administration and expense, operations and maintenance, building and equipment depreciation, and library expenses. Costs incurred for common or joint objectives that cannot be readily assigned to a particular sponsored project, instructional activity, or any other institutional activity.

Final Financial Report / Invoice: Final report or invoice reflecting a summary of all financial transactions on an award.

PeopleSoft: The University of Vermont financial system. All milestones for financial management are setup in the award module by SPA at initial award setup.

SPA: Sponsored Project Administration

FA: Financial Analyst

PI: Principal Investigator

UA: Unit Administrator (For the purpose of all procedures, Business Unit Administrator, Business Manager, Grant Administrator, and Department Administrator are all used interchangeably and refer to the person assisting the PI in the Department.)

Procedure

Within 90 days following the award expiration date or sooner if required by the sponsor, the SPA FA will review and complete the award close out process following the [Financial Closeout & Final Financial Report Procedures](#).

For fixed price agreements, if the review shows that the sponsor still owes funds, SPA will follow its standard collections procedures to secure payment.

For fixed rate agreements (budget bumps), if any invoices submitted by the department are outstanding, it is the department's responsibility to do collections before the project can be closed out.

If the review determines a residual balance remains and the terms and conditions of the award clearly indicates the award is a fixed price agreement and there is no indication that unspent funds are to be returned to the sponsor, the SPA FA will initiate and deliver the [Fixed Price Close Memo and Residual Balance Transfer form](#) to the PI and/or the Unit Administrator.

If the award documentation is unclear as to whether the award may be categorized as a fixed price agreement, or the awarding document does not provide adequate instructions, the SPA FA will consult with other SPA staff as appropriate and may need to request clarification from the sponsor.

In the event that the sponsor requests the residual funds be returned, the SPA FA will coordinate this information with the PI and/or Unit Administrator, prior to returning the applicable balance to the sponsor. Once all parties are informed of the sponsor's instructions and no objections or disputes arise, the SPA FA will initiate the return of the balance and close the award. In the event the sponsor confirms



that the University is to retain the residual balance, the SPA FA will follow the process described in the prior paragraph.

Once it is confirmed that a residual balance transfer is appropriate, SPA FA will take the following action 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 via PeopleSoft journal entries.
- For balances greater than \$1,000, SPA will contact the PI and/or the UA and ask for the completion and return of a [Fixed Price Close Memo and Residual Balance Transfer form](#). Once all conditions described in this procedure have been fulfilled, SPA will transfer unexpended direct dollars to the provided non-sponsor chart string and indirect funds to a central chart string via PeopleSoft journal entries.

After each month closes, Financial Reporting and Accounting Services or the Dean’s office of the college will work with the PI/UA to budget the residual balance transfers that occurred in that month. The funds become available to the PI once this budgeting is complete.

Helpful Links

University of Vermont (UVM)

[Fixed Price Close Memo & Residual Balance Transfer Form](#)

[Financial Closeout Procedure](#)

[Final Financial Report Procedure](#)

Document Change Record

| Date | Version | Author | Change Details |
|------------|---------|--------|-----------------|
| 05/03/2019 | 1 | SPA | Initial release |
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