

Governors State University

Managing Residual Funds on Sponsored Fixed Price and Fee for Service Awards

Purpose

This procedure outlines the institutional requirements for managing residual funds on sponsored fixed-price or fee-for-service awards. Sponsored awards for the purpose of this procedure are grant and contract awards approved and managed through the Office of Sponsored Programs and Research (OSPR).

Reason

Fixed price awards require the university to perform work to sponsor specifications regardless of the actual cost. As such, proposed budgets must ensure that actual university costs and the sponsor funds closely align. Typically, the sponsor agrees to the scope of work to be performed, with an agreed upon value.

If project costs are underestimated, the investigator or academic unit will have to cover excess expenses necessary for the investigator to complete the work. This is referred to as a deficit balance wherein project expenses exceed the agreed upon payment amount.

When project costs are overestimated, a residual balance occurs wherein sponsor payment for the specific deliverables exceeds project expenses. It is important that the University manage these balances carefully as they can lead to the perception of defective pricing, and, if substantiated, the university could be subject to fines, penalties, and even debarment/suspension.

The expectation is that project expenses on fixed price awards will closely match sponsor income if the costs were accurately determined at the proposal stage and actual charges, including all salary effort and related costs, incurred in support of the work are applied to the grant/contract account. It is important for investigators to record all project costs to the grant/contract account to ensure that funds from other sources are not subsidizing expenditures made in the performance of fixed price agreements and to ensure that all applicable auditing requirements are satisfied.

Intended Audience

- Director, Department Chair, Division Head
- Faculty and Staff
- Departmental/Divisional Business Administrators
- Finance Personnel – Research Accounting, Accounting Services
- Grants & Contracts Personnel

Procedure for Managing Residual Balances

If any unspent funds remain after the performance end date of the agreement and/or after all deliverables have been completed, the residual balance may be transferred to a designated 16 account after Facilities & Administrative (F&A) costs are applied based on the negotiated indirect Rate Cost Agreement. The Office of Sponsored Programs and Research would receive the 10% Department/Division share from the distribution of the F&A. F&A costs will be applied to residual balances regardless of whether or not an F&A waiver was approved through the Office of Sponsored Programs and Research (OSPR).

The Principal Investigator must request a residual funds transfer via email to the Office of Sponsored Programs and Research. In the subject line of the request, note Residual Funds Transfer Request and include the award's grant/contract account number.

The request must include confirmation or documentation of the below information:

1. All the work on the project has been completed;
2. No outstanding items remain open or are in question with the sponsor;
3. All reports have been received and accepted by the sponsor;
4. All costs for the project have been applied to the grant/contract account;
5. All payments for the project have been received from the sponsor;
6. If the residual balance is greater than 25% of the awarded amount, an explanation of the balance is required. A residual balance of this amount may signify a change in scope that may be subject to review by the sponsor and auditors;
7. Account number (16) to which the residual balance will be transferred; and
8. Confirmation that the balance will be used to support general research activities within the designated department.

