

## **Residual Balances on Fixed Price Sponsored Programs**

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### **1. Overview**

The University is often permitted to retain residual balances at the conclusion of select sponsored programs, such as fixed price, fee-for-service and clinical trials. While cost proposals for fixed price agreements should be estimated on a cost basis consistent with Rutgers' cost accounting procedures, it is possible that a balance may accrue as a result of efficiencies or economies of scale developed during the conduct of the contract or lower costs of necessary supplies or services. To the extent that such improved performance is achieved with the knowledge and/or consent of the sponsor and not restricted per award terms, and after satisfactory completion of the work and submission of all deliverables, distributions of unexpended balances will be transferred to an unrestricted project under the direction of the Principal Investigator (PI).

### **2. Purpose**

To provide guidance on disposition of residual funds on sponsored projects after the satisfactory completion of the project.

### **3. Who Must Comply**

Department Personnel  
Research Financial Services  
Principal Investigators

### **4. Definitions**

**Fixed Price Agreement:** A sponsored agreement that is not subject to an upward or downward adjustment of funds based on actual costs incurred. The payments are predetermined lump-sum or scheduled payments commonly based on negotiated, fixed unit prices for specific services or a percentage of project completion.

**Residual Balance:** Funds remaining on a sponsored project award after satisfactory completion of a project. A residual balance occurs when the payments for a sponsored project exceed the total expenses of project.

**Sponsored program:** An externally funded project with a defined scope of work and set of objectives. Industry-sponsored clinical trials are considered sponsored programs.

### **5. Procedures**

At the conclusion of a fixed price sponsored program, the PI may submit a request to transfer residual funds to an unrestricted project under their discretion in support of their research activities. The use of the residual balance shall continue to meet the Allowable Cost criteria.

If needed, the PI should follow the Office of the University Controller's procedures to establish a new non-sponsored (discretionary) project.

In order to initiate the residual balance transfer request, the PI must complete the Residual Balance Transfer form and submit to Research Financial Services (RFS). By way of the form, the PI is confirming:

- All work on the project was completed.
- All sponsor requirements have been satisfactorily met.
- All expenses have been recorded on the award project (including technical and professional fees for projects utilizing clinical infrastructure).

Once the form is submitted to RFS, they will confirm all funds have been received and that the award terms and conditions do not require the return of any residual balance. In instances where the PI has other sponsored programs with unresolved deficits, and in accordance with RFS Procedure - *Overspending on Sponsored Programs*, the residual balance will typically absorb the overage. In these cases, RFS will communicate with the PI prior to taking any action.

If an F&A waiver was approved for the project, the University will seek to reduce the under-recovery gap to the extent possible and bring the project back to budget neutral. RFS will impute the F&A component on the total remaining balance and allocate that amount in the respective School, College or Department F&A account.

The remainder of the unexpended balance will then be distributed to the PI via an unrestricted project. *Example: A PI receives an award that allows for full assessment of the current standard University F&A rate for research of 56%. The calculation for the F&A recovery and subsequent residual balance transfer is below:*

Total Revenue (Cash Received)	\$15,000
Sponsored Program Expenses	(\$12,000)
Residual Balance	\$3,000
Award F&A Rate	56%
F&A Costs Recovered (at University standard rate of 56%)	\$1,076.92
Residual Balance Transfer	\$1,923.08

In instances where the University waived F&A or where an F&A rate was applied that was less than the standard F&A rate, the University will calculate F&A at the standard rate and distribute the remainder to the PI. *Example: The current standard University F&A rate for research is 56% and a PI receives an award that only allows for 10% F&A. The University will assess any remaining balance the standard rate of 56% prior to transfer to the PI discretionary fund. The calculation for the F&A recovery and subsequent residual balance transfer is below.*

Total Revenue (Cash Received)	\$15,000
Sponsored Program Expenses	(\$12,000)
Residual Balance	\$3,000
Award F&A Rate	10%
F&A Costs Recovered (at University standard rate of 56%)	\$1,076.92
Residual Balance Transfer	\$1,923.08

**6. Roles & Responsibilities**

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<b>Department Personnel</b>	<ul style="list-style-type: none"><li>• Support PI to ensure all project costs are properly allocated to the correct project</li></ul>
<b>Research Financial Services</b>	<ul style="list-style-type: none"><li>• Ensure all residual balance transfer requirements are met</li><li>• Calculate and allocate appropriate F&amp;A costs</li><li>• Confirm PI portfolio is in good financial standing (i.e. no deficits)</li><li>• Transfer balance to appropriate non-sponsored (discretionary) project</li></ul>
<b>Principal Investigators</b>	<ul style="list-style-type: none"><li>• Ensure all project costs are properly allocated to the correct project (including technical and professional fees for projects utilizing clinical infrastructure)</li><li>• Provide explanation for residual balances greater than 25% of total award amount or \$10,000, whichever is less</li></ul>

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**7. Resources**

## Related Documents

- Sponsored Programs Closeout
- Overspending on Sponsored Programs
- Allowable Costs on Sponsored Programs
- Office of the University Controller Contact Page
- Research and Sponsored Projects – Facilities and Administrative Costs

## Guiding Regulations

- Individual Sponsored program Terms and Conditions