

 <b>Research &amp; Sponsored Programs</b> UNIVERSITY OF DENVER	<b>Office of Research and Sponsored Programs Policy Manual</b>  <b>Residual Balances in Fixed Price Contracts</b>
Supersedes Document Dated: 07/01/2017	Policy Number: ORSP-25
<b>Recommended By:</b> Director of Sponsored Programs Administration; Sponsored Programs Academic Research Council <b>Approved By:</b> Senior Vice Provost for Research and Graduate Education	Effective Date: 07/01/2023

## 1. PURPOSE

To establish procedures for the timely closure of completed Fixed Price Contracts for sponsored programs and the reconciliation of any unexpended external funds. Fixed Price Contracts require detailed and accurate budgets to ensure proper stewardship of project funds. When projects have significant Residual Balances, justification from the Principal Investigator is required to ensure accordance with the terms and conditions of the agreement. Significant Residual Balances on Fixed Price Contracts may call into question the validity of the proposed budget, scope of work, effort committed, and the proper allocation of project expenditures.

## 2. DEFINITIONS

- 2.1. Principal Investigator is a University employee that leads a given program or project and is responsible for the proper conduct of research or other activity described in the proposal, grant, or instrument of agreement for the specific program or project.
- 2.2. Sponsored Programs are programs or projects that are funded by an external entity through a written agreement (grant, agreement, or other instrument) with the University. Sponsored Programs include specific research, training, or service programs and projects.
- 2.3. Fixed Price Contracts are written agreements executed between the University and an external entity wherein the University agrees to accomplish a project within a specific timeframe for a set amount. The funding amount remains constant, and the funding is provided regardless of actual cost. If the deliverables are not completed within the term of the agreement, it is to be extended.
- 2.4. Residual Balances are the unobligated, unspent balances remaining on Fixed Price Contracts at the conclusion of the Sponsored Program period after all project costs have been allocated to the Sponsored Program, all financial obligations have been met, and all deliverables have been received by the sponsoring entity.

## 3. POLICY

- 3.1. Criteria for Residual Balance transfer one hundred and twenty (120) days after the end date:
  - 3.1.1. The Fixed Price Contract allows for the University to keep the Residual Balance.

- 3.1.2. Fulfillment of all deliverables and acceptance by the sponsoring entity.
- 3.1.3. All expenditures are properly accounted for and reconciled in the University's financial management system (Banner).
- 3.2. Full Facilities and Administration (F&A) costs will be deducted from the Residual Balance prior to the transfer. The full F&A rate will only be applied on the Residual Balance, not on direct costs expended under the contract.
- 3.3. A Residual Balance that meets the criteria of section 3.1 above and does not exceed twenty-five percent ( $\leq 25\%$ ) of the total contract amount may be transferred into a designated fund of the Principal Investigator's choosing.
- 3.4. A Residual Balance that meets the criteria of section 3.1 above and does exceed twenty-five percent ( $> 25\%$ ) of the total contract amount will only be transferred to a designated fund of the Principal Investigator's choosing upon approval of the Vice Provost for Research (Vice Provost), utilizing the process contained in section 4.3 below.

#### **4. PROCESS**

- 4.1. One hundred and twenty (120) days after the end date of the contract, ORSP will send the Transfer Form to the Principal Investigator and charge Facilities and Administrative (F&A) costs at the full rate on the Residual Balance.
- 4.2. When the Residual Balance represents less than or equal to twenty five percent ( $\leq 25\%$ ) of the total contract amount and the criteria of section 3.1 above have been met, ORSP will transfer the Residual Balance less than or equal to twenty five percent ( $\leq 25\%$ ), less full F&A, to a designated fund of the Principal Investigator's choosing.
  - 4.2.1. The Principal Investigator will obtain signatures from their Dean or Director and Business Officer on the Transfer Form and notify ORSP.
- 4.3. When the Residual Balance represents greater than twenty five percent ( $> 25\%$ ) of the total contract amount and the criteria of section 3.1 above have been met, ORSP will transfer the Residual Balance of greater than twenty five percent ( $> 25\%$ ), less full F&A, into a holding fund.
  - 4.3.1. The Principal Investigator will obtain signatures from their Dean or Director and Business Officer on the Transfer Form.
  - 4.3.2. The Principal Investigator will use the Transfer Form to request from the Vice Provost approval to transfer the Residual Balance greater than twenty-five percent ( $> 25\%$ ), less full F&A. The justification should provide an explanation so that any outside party who is reviewing the financial documentation will understand the deviation.
  - 4.3.3. Upon approval of the request by the Vice Provost and notification to ORSP, the funds will be transferred to a designated fund of the Principal Investigator's choosing.
  - 4.3.4. Should the Vice Provost deny a request for any reason, the funds will be transferred to a designated fund of the Vice Provost's choosing.

#### **5. RESOURCES**

- 5.1. Uniform Administrative Requirements, Indirect (F&A) Costs – 2 CFR § 200.414

Residual Balances in Fixed Price Contracts		
	<b>Example &gt; 25%</b>	
Total Contract Amount	\$ 100,000.00	
<b>Residual Balance</b>	<b>\$ 30,000.00</b>	
Percentage of Total Contract Amount	30.0%	> 25%
Full F&A Rate (Industry)	57.6%	
<b>F&amp;A Residual Transfer</b>	<b>\$ 17,280.00</b>	= 30,000 X 57.6%
<b>Remaining Residual Transfer</b>	<b>\$ 12,720.00</b>	= 30,000 - 17,280
	Signatures Needed: Dean/Director and Business Officer	
	<b>Approval Needed &gt; 25%: Vice Provost</b>	