Research and Sponsored Projects
Carrollton, Georgia 30118-4510

ORSP Residual Balance Policy/Procedure

BACKGROUND:

A fixed price agreement, usually in the form of a legal contract executed by both parties, is an agreement to deliver a specific product or service at an exact cost during an agreed upon time frame. The price is determined prior to the award acceptance by estimating what is perceived to be the actual cost of producing the product or providing the service. Once the university enters a fixed price agreement it must produce the deliverables within the required time frame regardless of the actual cost of doing so.

Even though there are no detailed government regulations that specifically address the treatment of residual balances, best practices indicate that actual costs within ± 10% of the agreed upon price are acceptable. An occasional residual in excess of 10% is usually not a cause for concern. However, repeated instances of excessive residuals by a particular Project Investigator (PI) or Department are problematic. These patterns of excess residuals are an indication that either some project costs are not being appropriately charged to the project accounts, which usually means the university is unintentionally subsidizing the work, or projected costs are not being estimated correctly. Inflated prices can lead to charges of violation of cost and pricing regulations, especially if federal funds are involved. In addition, excessive residuals have the potential to threaten the non-profit status of the institution and/or subject the institution to unrelated business income tax liability (UBIT).

Principal Investigators, with the oversight and assistance of the Office of Research and Sponsored Projects (ORSP), are expected to estimate costs for fixed price agreements as accurately as possible and to charge all applicable project costs to the project account during the term of the agreement. However, even when projects are appropriately budgeted and managed, residual funds can sometimes remain after all deliverable have been met and all work has been completed. When such residuals do remain, the institution must determine who will receive those funds and how they will be used.

DISTRIBUTION OF RESIDUAL BALANCES:

1. Confirmation of eligibility to Closeout
    - All deliverables have been met
    - All sponsor required activities have been completed
    - All program reports have been submitted to the funding agency
    - All project related expenses have been posted to the account

2. PI has 6 months from the <u>project end date</u> to spend the residual balance for a purpose that is related to the project, to enhance programs to which the project is tied, or to support the PI's professional development

3. After 6 months, balances less than $500 will be transferred to the ORSP F&A account to further the University's research mission.

4. Balances greater than $500 will be transferred to the appropriate F&A accounts using UWG's approved F&A distribution policy.

    30% Provost/Divisional VP
    50% ORSP

    5% Dean

    5% Department

    10% PI

May 2015 (v. 1)