


| | |
|---|---|
| Fixed Price Residual Balances Policy |  |
| Sponsored Programs SOP #10 Version 1.0 – March 7, 2023 | |

Overview

Some agreements negotiated between the University and sponsoring agencies are established as “fixed price.” With these projects, a predetermined (fixed) amount of funds are provided by the sponsor for the successful completion of the stated deliverables. Principal Investigators (PIs) and administrators must prepare accurate, detailed proposal budgets, and include costs associated with the fixed price sponsored award to fully capture all resources necessary for the work performed on the project. If the cost of the project exceeds the awarded amount, the University absorbs the additional costs required to perform the work. If the project is performed at a cost below the awarded amount, 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 disposition of residual balances. If the award and sponsor are either silent on this issue and/or allow for residual balances to be retained by the University, then the funds can be transferred to a University account.

The Fixed Price Residual Balance process provides for distribution of unexpended funds once all deliverables are met. Facilities and administrative (F&A) cost recovery on the transfer represents the residual grant balance that will be recorded as F&A expense based on the University’s applicable rate*.


* If the project F&A rate is lower than the University’s applicable rate due to an approved F&A waiver, the full rate will be recovered at the time of transfer, with any remaining grant funds transferred to a ChartField (MoCode) specified by the PI/Department/Unit. These funds are unrestricted and may be used at the PI/Department/Unit’s discretion.


Balances of 25% or more require a Balance Justification, PI signature, and Unit administrative signature.

Risk

As a non-profit institution, the University’s mission is not to seek profit from its research activities; therefore, significant residual balances on fixed price sponsored awards may call into question the validity of the proposed budget and potentially affect the University’s tax-exempt status.

If a fixed price project has a significant portion of the award unspent at the end of the period of performance, the Office of Sponsored Programs Administration (OSPA) will inquire with the PI/Department/Unit to ensure all deliverables have been met. If the scope of work was not accomplished or the project was otherwise not completed as planned, the University may be required to

| | |
|-------------------------|--|
| Previous Version Dates: | |
| Signed by: |  3/29/2023 |

| | |
|---|---|
| Fixed Price Residual Balances Policy |  |
| Sponsored Programs SOP #10 Version 1.0 – March 7, 2023 | |

return funds to the sponsor. It is also important to note that all allocable project costs should be applied to the appropriate sponsored project. While unexpended funds on fixed priced projects are transferable to the PI/Department/Unit as unrestricted funds, project expenses should not be left on a departmental or other account which would result in a positive balance on the fixed price project.

Procedure

OSPA – The OSPA is responsible for initiating the Fixed Price Transfer. If there are qualifying unexpended funds under the Fixed Price Residual Balances Policy described above, the cost certification email (all expenses posted) will include a breakdown of funds transferrable to the University’s F&A recovery pool and funds transferable to the appropriate MoCode. The OSPA will request from the PI/Department/Unit the appropriate MoCode to receive the transfer, as well as a justification in the event of an unexpended balance of 25% or more. With the PI’s approval of the cost certification, the OSPA submits a request for approval of the residual balance of 25% or more to the unit administration (Chair, Dean or Research Dean as appropriate).

Principal Investigator (PI) – The PI approves final expenditures upon completion of a sponsored project, provides the appropriate MoCode to receive the transfer, and, if requested, provides justification for a large unexpended balance.

OSPA–If the amount of unexpended funds is deemed reasonable compared to the project budget, the OSPA prepares a journal entry to make the appropriate transfer(s). If the unexpended funds are a significant amount of the award, the transfer is subject to additional approval.


Responsibilities


Below is an outline of responsibilities as they relate to this process.

PI:

- Ensures that the scope of work is accomplished and that all funds are utilized as planned and correctly allocated to the project.
- Certifies expenditures upon request from OSPA to initiate the Fixed Price Residual Balance process.

OSPA:

| | |
|-------------------------|--|
| Previous Version Dates: | |
| Signed by: |  3/29/2023 |

| | |
|---|---|
| Fixed Price Residual Balances Policy |  |
| Sponsored Programs SOP #10 Version 1.0 – March 7, 2023 | |


- Calculates and transfers the appropriate amount of funds to the University’s F&A recovery pool and to the departmental account.
- Works with the PI/Department/Unit to determine origins of large unexpended balances and guides appropriate actions to resolve any discrepancies.

Forms

Fixed Price Award Residual Balance Transfer Form

Associated Policies

- [UM System Policy – Award Closeout](#)

| | |
|-------------------------|--|
| Previous Version Dates: | |
| Signed by: |  3/29/2023 |