

Closing Out Fixed Price Agreements

Area:	Sponsored Programs	Number:	RSSP-502
Subject:	Residual Balance	Issued:	05/30/2013
Applies to:	University	Revised:	n/a
Sources:	Vice-President for Research & Economic Development, Office of Research Services and Sponsored Programs, GSU Research & Service Foundation, Inc., and Business & Finance	Page(s):	1 of 2

I. Purpose

This policy establishes an institutional procedure for residual revenue earned on restricted fixed-price or fee-for-service contracts: (1) timely and appropriate use; (2) compliance with the sponsor's policy and restrictions; and (3) approval and documentation of further expenditures.

II. Policy Statement

General Information

A fixed-price agreement requires the university to perform work to the sponsor's specifications regardless of the actual cost, so proposed budgets must ensure that actual costs and the sponsor's funding will closely align. Where costs are underestimated, the investigator or academic unit will have to cover excess expenses. Overestimation can lead to the perception of defective pricing, and, if substantiated, the university could be subject to fines, penalties, and debarment/suspension.

All costs for a fixed-price project must be expensed directly to the project account. With reasonable budgeting and accurate charging, neither a deficit nor a surplus of funds should arise. Upon project completion, deficit or surplus (residual) balances must be transferred to a non-sponsored account.

Because of concerns about defective pricing, the Office of the Vice-President for Research and Economic Development (VPRED) must approve requests to transfer residual balances of \$10,000 or over, or 20% of the approved project cost, whichever is greater. The VPRED may retain such an unusually large residual balance and disapprove any future fixed-price projects the investigator proposes. Additionally, if a VPRED-granted F&A waiver is in place for a fixed-price agreement, full F&A will be applied to the project before any residual amount is returned, and the differential will not be distributed to units and investigators as is customary.

Disposition of Residual Balances

Following project completion, the Georgia Southern University Research and Service Foundation (GSURSF) will retain residual balances of **less than \$500**. For balances **greater than \$500** GSURSF will transfer residual balances (see Sponsored Programs Closeout Procedure) to a Georgia Southern University sponsored project residual balance account. Each department, center, or fiscal unit may establish one pooled restricted project account to enable transfer of sponsored program residual balances. The account is solely for residual balances from fixed-price/fee-for-service contracts that have concluded, and the sponsor's terms and conditions have been met. No other funds or income may be deposited in this account. Georgia Southern University invoices the Research Foundation monthly for residual fund expenditures.

III. Exclusions – None

IV. Procedures

Upon full closeout, the GSURSF will transfer residual balances over \$500 earned on a fixed-price/fee-for-service contract to a departmental or center sponsored program residual balance account. The Office of the Vice-President for Research and Economic Development (VPRED) must approve residual balances over \$10,000, or 20% of the approved project cost whichever is greater.

The PI/PD must complete the Residual Balance Transfer Form and provide written justification.

- The form must be signed by the PI/PD and the dean and forwarded to Research Accounting for approval.
- After Research Accounting approves, the form will be submitted to the VPRED for final review/approval, if required.
- Before residual funds are transferred to the department, center, or fiscal unit, the F&A rate is calculated on the total award amount and deducted from the residual funds.
 - In the case of multiple PI/PDs or Co-PI/PDs, the residual balance is distributed to the department, center, or fiscal unit involved in the project in the same proportion as their aggregate F&A recoveries were distributed for the fixed-price/fee-for-service contract.
- Before the account is extended or funds transferred, the residual balance will be used to cover any cost overruns (deficits) accrued by the same fiscal unit director on other internal or external restricted accounts.