Contract and Grant Accounting Policy 16 Residual Balances on Fixed Price Agreements

The University of North Carolina at Greensboro

Approved by Steve Honeycutt, Interim AVC for Finance, July 1, 2021

Revised July 1, 2021

1. **Purpose/Introduction**

   This policy will provide guidelines for faculty who have residual balances remaining in their sponsored research fund upon completion of a fixed price award, after all University requirements have been met for a fixed price agreement, and where funds were paid, and the sponsor does not require the unused balance to be returned.

2. **Scope**

   This procedure applies only to fixed price sponsored agreements.

3. **Definitions and Roles and Responsibilities**

3.1 **Definitions**

   *Fixed Price Agreement* – a legal agreement between the University and an extramural sponsor in which the University guarantees to deliver a product or perform a service within a specified period of time and at a specific fixed rate agreed in advance, regardless of actual costs incurred. The expectation is that a fixed price agreement will have the expense closely match the income if costs were sufficiently determined at the proposal stage. Charges to fixed price agreements must reflect all actual effort and related costs incurred.

   *Residual balance* – an unobligated, unspent balance remaining in a sponsored fund at the conclusion of the project. A residual balance occurs when revenue from the sponsor exceeds total expenditures at the project end date when all deliverables have been met.

   An *unrestricted fund* has no restriction or reporting requirement to an entity outside of the University. At UNCG, this is usually referred to as a *trust fund*, which starts with 13xxxx.
4. **Policy**

Funds received for active, fixed price research projects are restricted for the duration of the project and will be used for the support of that research project. Accepting a fixed price award involves a degree of risk because the University must complete all work even if the costs exceed the amount of the agreement. The university expects that faculty and departments will direct charge all expenses including, but not limited to, personnel, fringe benefits, lab supplies, and subawards. After the completion of a fixed price research project, the residual balance will be transferred to the department’s unrestricted fund if the following conditions are met:

- Budgeted indirect costs on the project have been recovered
- Sponsored agreement is fixed price
- Total funding received exceeds total expenditures
- All deliverables have been met
- All project payments have been received from the sponsor
- In the signed agreement, the sponsor does not require the return of residual funds
- Acceptable justification is provided and approved for residual balances greater than 25% of the total project budget

When the above conditions are met, CGA will request the PI/department to provide a 131XXX or 134XXX fund number and upon receipt CGA will distribute the residual balance.

5. **Compliance and Enforcement**

Contract & Grant Accounting is responsible for ensuring compliance with this policy.

6. **Additional Information**

6.1 **Approval Authority**

This policy will be approved by the Interim Associate Vice Chancellor for Finance.

6.2 **Contacts for Additional Information**

- Responsible Executive: William Walters, Director, Contract & Grant Accounting, (336)334-5824, wdwalter@uncg.edu