Residual Funds

Policy Approval Authority  President

Responsible Division  Division of Research and Innovation Partnerships

Responsible University Office  Sponsored Programs Administration

Responsible Officer(s)  Assistant Vice President

Contact Person  Dara Little, dlittle@niu.edu

Primary Audience  Faculty

Staff

Status  Active

Effective Adoption Date  06-01-2014

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Policy Category/Categories  Sponsored Funding/Grants and Contracts

Purpose

This policy outlines the institutional requirements for managing residual funds on sponsored fixed-price or fee-for-service awards. Sponsored awards for the purpose of this policy are grant and contract awards approved and managed through Sponsored Programs Administration (SPA).

Reason for this Policy

Fixed-price awards require the university to perform work to sponsor specifications regardless of the actual cost. As such, proposed budgets must ensure that actual university costs and sponsor revenue closely align. Typically, the sponsor agrees to the scope of work to be performed, with an agreed-upon value.

If project costs are underestimated, the Principal Investigator (PI) or their department will have to cover excess expenses necessary for the PI to complete the work. This is referred to as a deficit balance wherein project expenses exceed the agreed-upon payment amount.

When project costs are overestimated, a residual balance occurs wherein sponsor payment for the specific deliverables exceeds project expenses. It is important that NIU manages these balances carefully as they can lead to the perception of defective pricing, and, if substantiated, the university could be subject to fines, penalties, and even debarment/suspension. Significant balances (generally considered >25%) may signify a change in scope that may be subject to review by the sponsor and auditors.

The expectation is that project expenses on fixed-price awards will closely match sponsor revenue if the costs were accurately determined at the proposal stage and actual charges, including all salary effort and related costs, incurred in support of the work are applied to the grant account. It is important to allocate project costs to the grant account for the fixed-price award to ensure funds from other sources
are not subsidizing expenditures made in the performance of fixed-price agreements and that all applicable auditing requirements are satisfied.

**Intended Audience**

- Director, Department Chair, Division Head
- Faculty and Staff
- Departmental/Divisional Business Administrators
- Finance Personnel – Research Accounting, Accounting Services
- Grants & Contracts Personnel

**Procedure for Managing Residual Balances**

If unspent funds remain after the performance end date of the agreement and/or after all deliverables have been completed, the residual balance may be transferred to a designated departmental account after capturing full Facilities & Administrative (F&A) costs based on the most current Negotiated Indirect Cost Rate Agreement. F&A costs will be applied to residual balances regardless of whether an F&A waiver was approved for the project.

When the amount of the residual balance is $500 or less, SPA will automatically transfer the remaining balance to the designated departmental account.

If the balance is greater than $500 but less than $10,000, the Principal Investigator must request a residual funds transfer via email to the SPA Grants and Contracts Associate assigned to the award and copy their department/unit head.

The subject line of the request should indicate Residual Funds Transfer Request and include the grant account number.

The request must include confirmation or documentation of the below information:

- All the work on the project has been completed.
- No outstanding items remain open or are in question with the sponsor.
- All reports have been received and accepted by the sponsor.
- All costs for the project have been applied to the grant account.
- All payments for the project have been received from the sponsor.
- If the residual balance is greater than 25% of the awarded amount, an explanation for the balance and how the remaining funds will be used to support ongoing research is required. *Principal Investigators should consult with their department regarding these plans.*
- Cost center to receive the residual balance.
For balances greater than $10,000, the Vice President for Research and Innovation Partnerships will receive the residual balance and determine disposition. There is no expectation that any of these funds will be available to the PI, Department, or College.

**Roles and Responsibilities**

**Principal Investigator**

Ensure all expenses charged to the fixed-price award are allocable, allowable, and reasonable and work with the Grants and Contracts Associate to make sure the account is fully reconciled.

Complete all deliverables as specified in the award.

Inform Sponsored Programs Administration (SPA) of any delays or issues in completing deliverables.

Request a no-cost extension if the agreed-upon scope of work will not be completed by the award end date and/or final deliverables will not be provided within the agreed-upon timeframe.

Review and follow all terms and conditions of the award and sponsor requirements related to disposition of residual balances.

Request a residual funds transfer from the SPA Grants and Contracts Associate (GCA) for balances greater than $500 and less than $10,000. Balances less than $500 do not require a formal request to SPA.

Contact the Vice President for Research and Innovation Partnerships to request access to balances greater than $10,000.

**Sponsored Programs Administration**

Use reasonable efforts to negotiate language in the contract to clearly identify it as fixed-price.

Request internal detailed budgets from the Principal Investigator to document pre-award cost analysis.

Establish fixed-price awards in PeopleSoft Financial Management System (FMS).

Monitor sponsor payments throughout the life of the award and notify the PI of any payment delays.

Review and approve requests for residual funds transfers between $500 and $10,000.

Journal unspent balances to the appropriately designated accounts.

Notify the Assistant Vice President for Research and Sponsored Programs when balances are expected to exceed $10,000.

**Office of the Vice President for Research**

Receive final unspent balances greater than $10,000 after capturing full F&A.

Approve requests by the Principal Investigator to access unspent balances.