

Fixed Price Contract Residuals – Sponsored Projects

Audience	Research Administration
Process Owner	David Scarbeary-Simmons, RFS Director
Responsible Offices	Campus Controller's Office, Office of Contracts and Grants
Effective Date	1/1/2023
Last Review Date	12/7/22

Purpose

This document provides guidelines for handling residual cash balances on sponsored projects. The guidance - focuses specifically on fixed price residual balances, the overall review of sponsors terms and conditions, disposition of residual balances, and the required communication between the sponsor, department, and central offices. To ensure the university receives full indirect cost recovery on sponsored projects, indirect costs will be recovered on residual cash balances. These funds are considered University resources and must be spent in accordance with good financial practices and in support of the university's mission. This amount will become available to the PI when transferred by CCO and should be used for unfunded research-related expenses.

Background

Fixed Price: "A funded agreement in which payment will be made upon a set dollar amount, regardless of how much is expended to complete the agreed upon performance."

Cash Residual: "excess cash (payments) received on an award greater than total final expenses after completion of the project and fulfillment of any deliverables."

When a University of Colorado Boulder sponsored project is completed, Research Financial Services will review the award to ensure the contract is a fixed price agreement, all award deliverables have been met, and will identify any residual cash balances. Most contracts are awarded with direct and indirect costs for their fulfillment, and the direct cost balance represents the available amount for spending by the PI on a project. When residual balances occur, the direct cost portion of the residual balance will be transferred to a department controlled SpeedType (or FOPPS). The indirect cost portion of the residual will be transferred to the university indirect cost recovery account and managed in accordance with DA-ICR policy.

Guidelines

Fixed price awards require detailed and accurate budgets to ensure proper stewardship of project funds. When projects have significant cash residual balances, justification from the principal investigator is required to ensure in accordance with the terms of the award agreement. The indirect costs will be recovered based upon the award's current F&A rate. CCO will reach out to the sponsor if award terms are silent or unclear as to how residual balances are to be handled.

Justification: the reason(s) why there is a variance between the award's budget amount and the actual expenditures for a project.

The justification should be specific and clearly define what is behind the difference (e.g., equipment cost less than originally quoted, project was completed more quickly than originally anticipated, travel costs were less than anticipated, etc.). The justification should provide an explanation so that an outside party who is reviewing the financial documentation will understand the deviation. Attach any relevant documentation if necessary to support your explanation.

The following scenarios provide information on how to handle residual cash balances depending on the amount of the residual. These thresholds have been set to ensure awards are properly budgeted and accounted for prior to closeout.

Residual Balance % of Award Budget	Confirmation of Deliverables from PI	Justification for Residual	OCG Required Approvals
Less than or Equal to 10%*	Required	Not Required	Required
Greater than 10%	Required	Required	Required

I. Residual Balance is Less Than or Equal to 10% of the Award Budget

- Expenditures on the award are less than originally anticipated. Examples: effort of lower-level staff was utilized efficiently, equipment was shared with another project, reduction in cost of supplies, etc.
- When there is a residual less than or equal to 10% of the award budget, RFS Closeout Team confirms with the department that the scope of work and all required report(s) were completed. If the PI has any other awards in deficit or has not fulfilled effort reporting, closeout will confirm the department has a plan to resolve these issues. When complete, the RFS Closeout Team sends all this documentation to the Director or Delegate of Office of Contracts and Grants (OCG) for approval. OCG will verify reports and deliverables are complete in addition to reviewing documents provided by RFS during their review.

II. Residual Balance is Greater than 10% of the Award Budget

- Expenditures on the award are less than originally anticipated by a significant amount. Examples: project was completed in less time than anticipated, some large expenditures were not needed, travel was not used, less staff utilized for project fulfillment, cost efficiencies, etc.
- The Research Financial Services' Closeout Team will ask the Department Research Administrator (DRA) and Principal Investigator (PI) for the same information as less than or equal to 10% residual plus justification for the award surplus compared to budget. When complete, the RFS Closeout Team sends all this documentation to the Director or Delegate of Office of Contracts and Grants (OCG) for approval. OCG will verify reports and deliverables are complete in addition to reviewing documents provided by RFS during their review.

Please note that residual cash transfers are processed to a fund 26 with exceptions made at CCO's discretion.

Accounting Entries for All Scenarios:



Journal Entry	Account	Debit	Credit
Sponsored Project	997100	\$xx.xx	
Department Account (Fund 26)	995100		\$xx.xx
Sponsored Project	950199	\$xx.xx	
Indirect Recovery (University)	315100		\$xx.xx

Example:

Cash Received	Total Expenses	Residual Cash Balance	F&A Rate	Direct Residual	F&A Residual
\$ 128,000.00	\$ 98,092.79	\$ 29,907.21	54%	\$ 19,420.27	\$ 10,486.94
Payments Received Cross Check	Actuals to Date	Cash (negative)	Awarded Rate	= Residual Cash Balance ÷ (1+F&A Rate)	= Direct Residual x F&A Rate

Related Documents and Resources

RFS Closeout Procedures: <https://www.colorado.edu/controller/policies/sponsored-research-closeout-procedures>

DA-ICR Policy Statement: <https://www.colorado.edu/controller/content/daicr-policy-statement>

F&A and GAIR Rates: <https://www.colorado.edu/bfp/resources-training/campus-cost-allocations>

History

Changes	Date	Approved By
Current Policy: including thresholds of less than \$100, between \$100 and \$1,000, and greater than \$1,000. No indirect cost recovery is included.	08/01/2015	Laura Ragin
Proposed Change: to divide residual fixed price balances on sponsored projects between direct and indirect costs. Threshold modified to less than or greater than 10% of award budget.	12/20/2022	Vicki Nichol

Questions or Comments:

RFS Director: david.simmons-1@colorado.edu

Roles and Responsibilities:

Research Financial Services (RFS):

- In general, RFS initiates the fixed price residual closeout process during award closeout around 120 days after award end date and completion of RFS final review.
- Contacts PI and Department for confirmation of deliverables, reporting, payments outstanding, and justification for residual if required.
- Sends residual transfer packet to OCG.
- Processes journal entry for residual balance.

Office of Contracts and Grants (OCG): Reviews residual packet prepared by RFS.

- Ensures all reports and deliverables are complete per contract.
- Returns signed closeout packet to RFS upon satisfactory review.



DRA/Fiscal Manager: Receives inquiry from RFS notifying that a fixed price residual balance exists then works with PI to ensure deliverables are met and/or justification are submitted.

- a) Informs RFS of any plans to resolve outstanding items such as other awards with deficit, and/or effort reporting.
- b) Provides SpeedType for fixed price residual balance.

Principal Investigator (PI):

- a) Works with DRA/Fiscal Manager to provide confirmation of deliverables, justification for residual (if required), effort reporting (ePERs), and other awards with deficits.

Exceptions and other Policies:

Exceptions: Student Capstone awards (no justification required, no F&A for residual)

**Residual Balances of \$100 or less will be subject to CCO's Small Balance Write-off Policy*