



Sponsored Projects Accounting

TO: Business Managers and Research Administrators
FROM: Joseph M. Gindhart, Director
DATE: May 2005
SUBJECT: Fixed Price Agreement Balances – Policies and Procedures

Sponsored Projects Accounting (SPA) has developed a set of policies and procedures for managing residual balances on fixed price agreements. The information noted below was developed from the following sources: typical terms and conditions denoted in fixed price agreements, the University's Guidelines for Direct Charging to Grants and input from school business officers. All University personnel involved with the financial management of sponsored projects should utilize these policies and procedures.

Residual balances generated via sponsored clinical trial agreements are excluded from the policies and procedures noted below. The School of Medicine has developed separate guidelines for these balances.

Policy

Some sponsoring agencies provide funding for research projects via a fixed price agreement (excludes clinical trial agreements). Under this type of agreement, the University provides certain agreed upon goods/services/milestones and is paid a fixed dollar amount by the sponsor. Similar to other sponsored agreements, the actual costs incurred by the University to provide the goods/services/milestones must be charged to the related sponsored fund in the general ledger (FIS). Upon the completion of the project, the Principal Investigator (PI) or his/her designee must review the fund and compare the payments received under the agreement to actual expenditures incurred. The University will treat the net financial activity, as denoted under these categories, as follows:

- Expenses incurred exceed the total payments received:
This negative residual balance is considered cost sharing for the project and must be absorbed by departmental resources.
- Expenses incurred equal the total payments received:
This zero residual balance deems the project as complete.
- Total Payment received exceed the expenses incurred:
This positive residual balance may be retained or, in certain instances, refunded to the sponsoring agency.

Retained balances are considered institutional funds. These balances must be utilized to support the University's mission, in accordance with institutional and/or school policies. The funds shall not be used for personal or private (i.e., not related to University business) expenses.

Procedures

The PI is responsible for initiating the close-out of residual balances on fixed priced agreements. The procedures noted below should be followed based upon the type of the balance.

- **Negative Balance (expenditures exceed payments)**
The PI or his/her designee should contact Grants and Contract (G&C) or the Research Office (RO) to establish a voluntary cost sharing account ("V" fund) and provide them with the appropriate Debit Account. The PI or

their designee should transfer expenditures equal to the residual balance to the cost sharing account/fund, in a timely manner. Subsequently, the PI or his/her designee should instruct the Sponsored Projects Accounting Department (SPA) to close the account/fund.

- **Zero Balance (expenditures equal payments)**
The PI or his/her designee should instruct SPA to close the account/fund.
- **Positive Balance (payments exceed expenditures)**
The PI should initiate a Residual Balance Transfer Request (Request) and obtain the required approval(s) (see below). This Request should not be processed until the department satisfies the following general conditions:
 - The grant period has ended.
 - Final payment from the sponsor has been received and booked to FIS.
 - Encumbrances on the fund are zero.
 - All outstanding transactions have been posted to the fund.

**Residual Balance Transfer Request:
Requirements**

The PI must generate a written Request to transfer the positive residual balance in a fixed priced agreement. The Request must be signed by the PI and contain the following data:

- Fund number
- Residual balance amount
- A confirmation that all of the terms and requirements in the agreement have been satisfied (i.e., deliverables, milestones, software/hardware, and all technical reports...).
- A confirmation that all of the project's costs were allocated to the sponsored fund.
- An explanation that describes the costs that were not incurred as anticipated and originally budgeted.
- An explanation of how the PI expects to utilize the residual balance amount for his/her research program or other University activities and the associated time period of use.
- Departmental account/fund to retain the balance.

Approvals and Routing

The PI must submit the Request to his/her respective Department/Division chair. The Department/Division chair must review the Request and denote, in writing, his/her approval to retain or refund the balance. Additional approvals are required based upon the specific sponsor type and the balance amount combinations noted see below.

- For a private (non-federal) fund, if the residual balance (direct and F&A) amounts to more than 20% of the approved budget or more than \$25,000, the Dean of the PI's respective school (or his/her designee) must also approve the Request.
- For a federal or federal pass-thru fund, if the residual balance (direct and F&A) amounts to more than 15% of the approved budget or more than \$10,000, the Dean of the PI's respective school (or his/her designee) and both the Vice Chancellors for Research and Finance must approve the Request.

The fully approved Request should then be forwarded to Sponsored Projects Accounting (SPA) at Campus Box 1034. SPA will process the accounting entries to transfer the balance to the designated departmental account/fund (s) (based upon the school's balance distribution policy for direct and F&A dollars) or refund to the sponsoring agency as designated on the Request.

This memo and other policy and procedure documents can be found on the SPA web site, <http://spa.wustl.edu/policies.htm>. If there are any issues that have not been addressed in this document, please contact me at 935-7089 / jgindhart@wustl.edu.