



University of Pittsburgh

Residual Funds on Fixed Price Awards

FINANCIAL GUIDELINE

I. Guideline Background

Fixed price/amount sponsored awards are awards in which an agreed upon, set price is determined for the project to be accomplished. This agreement type places maximum risk and full responsibility for all costs on the University of Pittsburgh (the University) and provides maximum incentive for the University to control costs and perform effectively. If the cost of the project exceeds the awarded amount, the University absorbs the additional cost and conversely if the cost of the project is less than the awarded amount, the residual cash is retained. As a mission-based non-profit institution, the University does not seek to generate a profit from its research activities, however reasonable deviations between actual and budgeted expenditures are expected. While most of the University's fixed amount awards are with industry partners and other non-federal sponsors, some awards are issued by federal sponsors.

According to the Federal Acquisition Register (FAR) sub-part 16.2 fixed-price contracts are used where the risk is low or defined in acceptable limits and the contractor and government can reasonably agree on a maximum price. Fixed type contracts are generally used by federal sponsors in follow-on production (e.g. clinical trials), but not for research and development (R&D) where actual costs are at high risk of deviating from estimates.

Uniform Guidance 2 CFR 200.1 defines fixed amount awards as a type of grant or cooperative agreement under which the Federal awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the Federal award. This type of Federal award reduces some of the administrative burden and record-keeping requirements for both the non-federal entity and Federal awarding agency or pass-through entity. Accountability is based primarily on performance and results. See also 200.102(c), 200.201(b), and 200.333.

Residual or unexpended funds on fixed sponsored projects occur when the revenue recognized in the form of cash received exceeds the costs identified and incurred on the project. The majority of agreements received by the University are cost reimbursable and are therefore only entitled to invoice for allowable, allocable, and reasonable expenditures.



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Funds cannot be unilaterally retained by the University. Failure to return over recovered expenses on cost-reimbursable sponsored projects can result in fines, penalties, loss of current and future funding and embarrassment to the University.

II. Scope

This guideline establishes The University's requirements for accounting and disposition of residual funds on fixed price/amount sponsored grants and contracts in accordance with Federal and other agency regulations. This policy also establishes the following responsibilities for residual funds on sponsored projects:

Principal Investigator (PI) and Departmental/Research Administrator

- ensure full costing of all sponsored projects
- ensure the timely disposition of residual funds on sponsored projects through completion and submission of a Closing Memo to Sponsored Projects Accounting
- provide the proper accounting string for disposition of residual funds on sponsored projects in accordance with sponsor requirements and this guideline

Office of Sponsored Programs

- ensure award instruments and terms are reviewed and conform with University policies and standard procedures

Sponsored Projects Accounting

- provide support on policy issues related to residual funds on sponsored projects
- ensure the proper accounting for and disposition of residual funds on sponsored projects in accordance with federal and other agency regulations and sponsor requirements and an adequate system of internal control



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III. Guideline

The University must comply with the terms and conditions outlined in each sponsored agreement. Post-award Administration and Sponsored Projects Accounting will perform due diligence to ensure the award is appropriately costed and the cumulative expenses are reasonable and allocable.

Awards with residual or unspent funds will be reviewed for one of the following possible actions:

1. Retain Funds by Requesting a No-Cost Extension (NCE) – Federal and non-federal sponsors typically provide a mechanism to request an NCE to continue work on an award past the original contractual end-date. NCEs should be initiated by the PI and approved by the Office of Sponsored Programs. No-cost extensions must never be requested or granted when the effort related to the project is complete and the intent of the extension is to spend residual sponsored project funds by charging unrelated costs to the project. Reference the University's financial guidelines on the Allowability of Costs and Direct Charging Practices.
2. Return Funds to Sponsor - The standard practice of the University is to refund any overpayments on cost reimbursable sponsored projects to the sponsoring agency. Refundable advances or unspent funds are common on cost reimbursable awards with installment or advance payments methods. The University returns these balances on cost reimbursable awards without exception whether the agreement explicitly calls for the return of funds or is silent.
3. Retain Funds for Alternative Research Purposes – Contracts performed on a fixed price basis where payments are based upon specific milestones that have been met and the earnings process is complete may allow for retention of funds without sponsor approval.

If the agreement is negotiated at a fixed amount and there is a residual balance after the project has ended, the work is completed, and the deliverables have been met, the principal investigator (PI) may request that the remaining funds be transferred to a non-sponsored account and used to further their research by completing a *Closing Memo* following the expiration of the award and subject to the following provisions:

- All agreed upon work has been completed



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- The PI has no other projects/awards in a cost overrun/deficit position
- No outstanding work activities or deliverables remain open or in question with the sponsor
- All technical and financial reports have been received and accepted by the sponsor
- All payments for the project have been received
- All applicable expenditures have been incurred by the University

If the remaining balance exceeds of 20% of the original award a justification must accompany the request and be approved by SPA.

Residual funds will remain available until fully depleted unless the PI leaves The University prior to the residual balance being fully expended, in which case the balance reverts to a departmental research fund or VC of Research fund for furtherance of research.

If the fixed-price agreement is unclear and is silent with regard to disposition of residual funds, Post-award Administration should contact Advancement to pursue negotiations with the sponsor to gift the remaining funds to the University. Gifts represent a financial transaction of different economic substance to the University than sponsored projects. Gifts are irrevocable transfer of funds and the sponsor expects no deliverables or other benefits from the University. (*Reference the financial guideline for the determination of whether University funding qualifies as either a sponsored project or a gift from an accounting perspective.*)

Sponsored Projects Accounting will process requests for transfer of residual funds on non-governmental sponsored projects to gift accounts provided the following conditions are met:

- Notification is obtained in writing from an independent source at the sponsor.
- The written notification must clearly state that the intent of the sponsor is to gift the residual funds on a specific sponsored project to the department or principal investigator
- The written notification must clearly state the approximate amount of the gift



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- The transfer must be approved by the senior financial administration of the applicable school or responsibility center
- The written notification must be forwarded to Sponsored Projects Accounting with a copy to Philanthropic & Alumni Engagement

IV. Definitions

Cost Reimbursable – a type of sponsored project that permits the reimbursement of costs by a sponsor on the basis of costs specifically identified to and incurred on that project.

Post-award Administration – the individuals designated by the department, including the Principal Investigator, who are responsible for the financial accounting, budgeting and administration of the department's sponsored awards.

Department Chair – the individual designated by the Dean of the school who is responsible for the general financial and administrative oversight of grant and contract activities conducted by the department within the respective school or college.

Direct Cost – those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Drug Studies – also referred to as pharmaceutical studies or clinical trials that represent fixed price agreements that are reimbursed based on a pre-determined price or fixed fee per unit of service or product.

Fixed Price – a type of sponsored project that permits the reimbursement for services or products based on a pre-determined price or fixed fee per unit of service or product.

Gift – a non-reciprocal transfer of funds with a charitable intent for which the donor may or may not have certain expectations.



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Sponsored Project – or grant is any externally funded research, scholarly or public service activity that has a defined scope of work or set of objectives which provides a basis for sponsor requirements or expectations.

Indirect or Facilities and Administrative (F&A) Costs – those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.

No-cost Extension – the administrative extension of the period of performance of a sponsored project that allows for project completion at no additional cost to the sponsor.

Principal Investigator – the individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity. At the discretion of the Dean, a principal investigator for sponsored programs is typically a tenured or tenured stream faculty but can also include other members of the academic community such as research associates or non-tenure stream research/clinical faculty.

Residual Funds – sponsored projects funds that result from the receipt of revenue or funding from a sponsor that exceeds the costs identified and incurred related to that project.