

## University of Massachusetts Lowell

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| <b>Policy Title:</b>         | Residual Balance on Sponsored Projects Policy         |
| <b>Policy Number:</b>        | ORA-8-102                                             |
| <b>Responsible Office:</b>   | Office of Research Administration                     |
| <b>Responsible Position:</b> | Executive Director, Office of Research Administration |

### I. Policy Statement

This policy addresses the closeout of sponsored program fixed price contracts and treatment of residual balances. Residual balances occur when expenses are less than cash received from the sponsor at project completion. The project is considered complete when all deliverables have been provided to the sponsor.

### II. Purpose

The Residual Balance on Sponsored Projects Policy provides guidance to ensure the appropriateness of transfers of residual balances on sponsored project accounts to university accounts. Cost reimbursable awards always require residual balances on sponsored awards to be returned to the sponsor upon completion of the award. For fixed price awards, the University is often permitted to retain the residual balance after the work is completed. If retained, the Principal Investigator (PI) retains the remaining direct cost funds in an unrestricted PI fund and the remaining indirect cost funds are allocated per the project distribution.

In cases where the residual balance is greater than \$10,000 or exceeds 25% of the original award additional review is required to understand the cause(s) underlying the project's significant residual balance. In some cases, the Vice Chancellor for Research & Innovation or their designee may determine an alternative allocation for the residual balance is appropriate. A pattern of residual balances exceeding \$10,000 or 25% of the original award may also indicate issues in budgeting and spending that will need to be addressed with the PI.

### III. Scope

The conditions of the award with regard to an unspent balance may be specified in the award notice or the agreement between the University and the sponsor, an amendment to the award, or correspondence from the sponsor. In the absence of explicit terms in the agreement providing for the return of funds, the Office of Research Administration (ORA) will make a determination at the start of the award and enter a term and condition for the PeopleSoft system regarding the treatment of unspent balances.

### IV. Definitions

- A **fixed-price contract** is defined as an agreement with a sponsor that does not base payment upon reimbursement for expenditures, but rather on fixed sums according to a payment schedule or for stated deliverables and satisfactory performance.

- A **residual balance** is defined as unobligated funds remaining in a fixed-price account at the conclusion of a sponsored project. Residual balances will either be returned to the sponsor or retained according to this policy, dependent upon the terms and conditions of the award.

## V. Procedures

At the conclusion of a fixed-price award, during the closeout process, regardless of the residual amount, the PI will be asked to confirm in writing to the Office of Research Administration (ORA) that all reports and any other deliverables have been satisfied.

In cases where the residual balance is less than \$10,000 and does not exceed 25% of the awarded amount, the Financial Administrator will request that Grant Accounting close the award. The award will follow ORA's normal closeout procedures. The PI assumes the 'direct' portion of the residual balance in an unrestricted PI account while the 'indirect' portion is allocated per the project distribution.

In cases in which the residual balance is greater than \$10,000 or exceeds 25% of the award amount, the PI must complete the 'Residual Balance Closeout' form providing explanation for the remaining balance. The Financial Administrator will send this form to the PI and the PI must complete and return this form to the Financial Administrator within 10 days of receipt. If the form is not received within 10 days, the account and residual balance will be frozen until the form is returned. The completed form will be circulated for review and applicable signatures beginning with the PI, the PI's Department Chair, the Executive Director of ORA, and the Vice Chancellor for Research & Innovation. The PI assumes the 'direct' portion of the residual balance in an unrestricted PI account while the 'indirect' portion is allocated per the project distribution, unless the Vice Chancellor for Research & Innovation or their designee determines another allocation to be appropriate in that instance.

## VI. Responsibility

The Principal Investigator and the Office of Research Administration are responsible for the implementation of this policy.

## VII. Attachments

Residual Balance Closeout Form

## VIII. Related Policies, Procedures and Announcements

Grant Expiration Closeout Procedure

|                          |                 |
|--------------------------|-----------------|
| <b>Effective Date:</b>   | October 1, 2017 |
| <b>Revised Date:</b>     | December 2023   |
| <b>Next Review Date:</b> | October 1, 2026 |