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Fixed Price Awards & Residual Balances

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I. REASON FOR THIS POLICY

This policy describes the treatment of residual funds pertaining to awards from externally funded sponsored projects. Principal Investigators (PI's), the Finance Department and the Office of Research & Sponsored Programs (ORSP) must ensure that proposal budgets are developed and expensed accurately to minimize residual balances, and that any residual funds are used to advance the mission of the university.

II. STATEMENT OF POLICY

All grants and contracts must be managed so that the budget is used to carry out the project objectives during the designated project period. Significant residual balances on fixed price awards may call into question the validity of the proposed budget.

For fixed price, fixed fee, and fee for service awards, any available balance remaining at the end of the grant or contract is to be retained by the University unless otherwise designated in the terms of the contract. If the cost of the project exceeds the awarded amount, the University (Principal Investigator's department) must absorb the additional costs required to perform the work.

Any grant fund that is dormant or has been unused for more than one year is subject to closure and the residual balance being transferred to USD Suspense Fund.

III. DEFINITIONS

Direct cost – Costs that can be specifically identified with a sponsored project, instructional activity, or other institutional activity, and thus directly assigned relatively easily with a high degree of accuracy. Examples of direct costs include, but are not limited to, salaries & wages, fringe benefits, equipment, supplies, travel and publication expenses.

Fixed Price Award – A type of sponsored project where costs are pre-determined based on a fixed-fee per unit of service or product. The total is not subject to any upward or downward adjustment of funds based on actual costs. There is no stipulation or expectation that excess funds be returned to the funding agency.

Indirect Cost (F & A Costs)- *Indirect (F&A) costs* mean those costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. USD's indirect cost rate is negotiated on a regular basis, rates vary based upon the type of project (Organized Research, Instruction, Other Sponsored Activities) and whether the project is on or off campus. Distribution of indirect costs are as described in the Responsibility Center Management (RCM) Operating Manual

Residual Balance – an unobligated cash balance of funds remaining in a fixed price restricted fund at the termination of the project.

IV. PROCEDURES

Residual balances in a fixed price project will be distributed in accordance with this policy when the following conditions are met:

- All direct and indirect costs incurred in completing the project have been charged to the project and paid.
- All technical and fiscal reports have been submitted, and all deliveries have been completed and accepted by the sponsor.
- All payments from the sponsor have been received.
- Cost Transfer Eligibility
- Only the portion of funds that would have been available to pay for direct costs at the current rate is eligible for transfer. Indirect (F & A) will be applied to all residual balances prior to transfer.
- If the PI has a cash deficit on another project that he/she is responsible for, a resolution will be held pending a resolution on the project with the non-payment.
- All residual balances are subject to audit to ensure that all expenses have been properly allocated.

- Residual balances will be distributed according to the following:
- Residual balances of \$5,000 or less may be transferred to the PI's designated indirect recovery account after all deliverables have been fulfilled and the payment from the sponsor has been received.
- Residual balances greater than \$5,000 require a written justification, approved by the Vice President of Finance & Administration, and the balance will be split equally between the USD Suspense Fund and the PI's designated indirect recovery account after all deliverables have been fulfilled and the payment from the sponsor has been received.

V. RELATED DOCUMENTS, FORMS AND TOOLS

[SDBOR Policy 5.2](#) – Externally Sponsored Programs

[Responsibility Center Management \(RCM\) Operating Manual](#) – in the USD Portal

Uniform Guidance, [Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200](#)

[USD Policies & Procedures](#)

[USD - Rates & Frequently Asked Questions, Facilities and Administrative Costs](#) – in the USD Portal