

 <b>UNIVERSITY of DENVER</b> RESEARCH & SPONSORED PROGRAMS	<b>Office of Research and Sponsored Programs</b>	Section: C-4.2 Version: 1.0
Subject: <b>Residual Balances in Fixed Price Contracts</b>		Date: 07/01/2017
Approved by:  Vice Chancellor for Business and Financial Affairs	Associate Provost for Research	

## 1.0 PURPOSE

To establish policy and procedures that will ensure the timely closure of completed, fixed price contracts for research and other sponsored projects/ services and the disposition of any unexpended balances. This policy is predicated on the principle that the University of Denver (DU) shall continue to undertake provision of fixed price contract services, at the highest levels of excellence, consistent with DU's research and education missions.

## 2.0 APPLICABILITY

This policy applies to all fixed price contracts for research or other sponsored projects/services sponsored by an entity external to DU. This is effective for all proposals submitted to an external entity on or after July 1, 2017.

Fixed price contracts that are managed within the units by delegated authority are subject to this policy, but the respective Dean will review and approve waiver requests. It is recognized that small contracts (i.e. those less than \$10,000) may have higher residual percentages due to the relative impact of a charge change.

## 3.0 GOVERNMENT RULES AND REGULATIONS

2 CFR 200 requires that universities be consistent in estimating, accumulating, and reporting costs for proposals and awards. Fixed price contract proposal costs should be estimated and actual project costs recorded in the same due diligence as cost reimbursable project proposals and awarded projects.

## 4.0 DEFINITIONS

**Fixed Price Contract** – Fixed price contracts are typically characterized by payments of predetermined amounts by a sponsor to support a project. The payments are either lump-sum or periodic and may or may not require submission of invoices for payment by DU. Generally, the payments are not on an expense reimbursement basis but on a predetermined total project cost. If the project costs are less than the award, the residual balance is retained by DU.

**Residual Balance** – The difference between an awarded amount in a fixed price contract and actual project costs.

## 5.0 POLICY

Following contract/project completion and deliverables submitted and accepted by the sponsor and final payment received, the residual direct cost balance in fixed price contracts will be transferred to a designated account(s) of the principal investigator given the following conditions:

- (1) All direct charges are properly accounted for,
- (2) All indirect costs have posted in accordance with the direct cost expenditures, and
- (3) The remaining direct cost budget is not greater than 25% of the total awarded direct cost budget.

The F&A(IDC) balance will be accrued via journal entry and will be allocated according to normal IDC flowback procedures. The residual balance will then be transferred to the PI's designated account.

If the residual direct balance is greater than 25% of the total direct award budget, the PI is required to submit a detailed justification with an explanation of the balance to the Associate Provost for Research for approval. If approved, the funds will be transferred to the PI's designated account. If the balance greater than 25% is not approved, only the 25% will be transferred to the PI with the remaining balance being transferred to the Associate Provost for Research account.

## 6.0 RESPONSIBILITIES

**Principal Investigator:** Submit a detailed justification to the Associate Provost for Research as specified in 5.0

**Department Administration:** Final review of project and procedures specified in 5.0 and that costs were estimated in accordance with departmental practices.

**Office of Research and Sponsored Programs:** Final review of project and procedures specified in 5.0. Transfers of residual balances to be completed within 30 days after closeout.

## 7.0 COMPLIANCE WITH 25% DIRECT COST REQUIRMENT

If the appropriate justification discussed in 5.0 is not submitted to the Associate Provost for Research when required, residual balances will not be transferred and approval of future fixed price contracts may be withheld.

**University of Denver**  
**Residual Balance on Fixed Price Contract Policy**  
**Accounting Example**

**Full IDC Example**

Total Award	\$ 300,000	
Direct Costs	200,000	
Indirect Costs - 50%	100,000	
Residual Balance at Close Out	\$ 75,000	
Remaining Direct Costs	50,000	>>>>Transferred to PI designated account (not flowback)
% of Original Direct	25%	If >25% of original direct cost, justification required
Remaining Indirect Costs	25,000	>>>>Transferred according to flowback policy
Division flowback -- 21%	5,250	>>>>Transferred to division/dept flowback account
University IDC -- 79%	19,750	>>>>Transferred to University IDC account

**Waived IDC Example**

Total Award	\$ 220,000	
Direct Costs	200,000	
Indirect Costs - net 10%	20,000	
Residual Balance at Close Out	\$ 55,000	
Remaining Direct Costs	50,000	>>>>Transferred to PI designated account (not flowback)
% of Original Direct	25%	If >25% of original direct cost, justification required
Remaining Indirect Costs	5,000	>>>>Transferred according to flowback policy
Division flowback -- 21%	1,050	>>>>Transferred to division/dept flowback account
University IDC -- 79%	3,950	>>>>Transferred to University IDC account

**> 25% Direct Cost remaining--excess not approved Example**

Total Award	\$ 300,000	
Direct Costs	200,000	
Indirect Costs - 50%	100,000	
Residual Balance at Close Out	\$ 90,000	
Remaining Direct Costs	60,000	
% of Original Direct	30%	>25% amount not approved by APR
Remaining Direct Costs up to 25%	50,000	>>>>Transferred to PI designated account (not flowback)
Remaining Direct Costs over 25%	10,000	>>>>Transferred to APR Research Initiative account
Remaining Indirect Costs	30,000	>>>>Transferred according to flowback policy
Division flowback -- 21%	6,300	>>>>Transferred to division/dept flowback account
University IDC -- 79%	23,700	>>>>Transferred to University IDC account