

## FIXED-PRICE RESIDUAL BALANCE POLICY

This policy outlines the institutional requirements for managing residual balances on sponsored fixed-price awards. Sponsored awards, for the purposes of this policy, encompass grant and contracts administered by the Office of Sponsored Programs Administration (OSPA).

Unexpended funds from fixed-price sponsored projects will be considered residual funds if all the following conditions are met:

1. The contract is a fixed price, with no provision for returning funds to the sponsor.
2. All payments required under the contract have been received by SIUC.
3. All required project work is complete, and all reports and other deliverables have been submitted to the sponsor. Copies of deliverables must be retained by the PI and provided to OSPA upon request.
4. All expenses related to the project have been properly charged to the account.

The presence of significant residual balances at the conclusion of a fixed-price project is discouraged under this policy. Its intent is to enhance accountability, facilitate accurate budgeting, ensure precise effort reflection, and minimize non-compliance risks.

In cases where project costs exceed estimates, resulting in a deficit balance, the Principal Investigator (PI) or their unit (School, College, or Center) must cover excess expenses necessary for the PI to complete the work. This is referred to as a deficit balance wherein project expenses exceed the agreed-upon payment amount.

Conversely, when project costs are overestimated and sponsor payments for deliverables surpass project expenses, a residual balance occurs.

To safeguard against subsidizing fixed-price agreement expenditures with funds from other sources and to comply with auditing requirements, it is crucial to allocate project costs correctly to the grant account. It is also important that SIUC manages these balances carefully as they can lead to the perception of defective pricing, and, if substantiated, the university could be subject to fines, penalties, and even debarment/suspension.

Upon completion of a fixed-price project, OSPA will obtain certification of final expenses from the Fiscal Officer (FO). The FO will certify that all expenditures charged to the award were allowable, reasonable, and allocable in accordance with the provisions of the award, and that all required project work is complete, and all reports and other deliverables have been provided to the sponsor. OSPA staff will verify receipt of all contractually required payments and reconcile all project-related expenses before proceeding.

If all the above criteria have been satisfied, OSPA will apply the Federally negotiated indirect cost rate (IDC) to the project's Total Direct Costs (and *not* on the project's Modified Direct Costs), deducting this amount from the remaining balance. The Federally negotiated IDC rate applicable at time of project closure will be applied, irrespective of the initial IDC charged to the

project. The indirect cost distribution will follow the F&A Revenue and Distribution and Use Policy found [here](#).

The remaining funds will be transferred to accounts coded as Research (Function 12) and designated by the administering College or unit's Dean or Vice Chancellor, or their delegate. It is expected that these funds will be used for other research expenses.

If the residual balance of the total award is greater than 15% for federal awards (including federal flow-through awards) or 25% for non-federal awards, a justification for the excess must accompany the transfer request. In some cases, excess residual funds may be returned to the sponsor.

**\*\* Acknowledgement:** Many universities have policies or procedures to manage residual funds. In developing this policy, SIUC reviewed several other university policies including Northern Illinois University, Purdue University, Georgia Institute of Technology, and Missouri University of Science and Technology.