



# SAINT LOUIS UNIVERSITY

## Residual Balance Policy

**Policy Number: RA-008**

**Version Number: 1.0**

**Classification: Research Administration Policy**

**Effective Date: 01/01/2011**

**Responsible University Office:**

Vice President for Research

### 1.0 INTRODUCTION

Sponsored awards from federal sponsors fall into one of two groups of regulations.

Assistance awards fall under OMB Circulars.

OMB Circulars awards are cost reimbursable in nature and allow no profit or an excess of revenues over expenses.

Procurement awards fall under the Federal Acquisition Regulations (FAR).

FAR awards may contain an “administrative fee” which is considered a “reasonable” profit, generally accepted to be 7%.

Residual Balances are funds remaining in a sponsored award fund after all actual revenues and expenses have been properly applied to a project account. These balances occur by design when fixed price contracts and clinical trial agreement are executed with the University for Sponsored Activity. In some cases they occur unexpectedly such as in cases where the sponsor has closed their records on an award that has generated a refund. Since their books are closed they will typically send the funds back to the University, creating a residual balance on the fund. In addition, in cases where expenses related to a specific sponsored agreement are not charged to the proper fund but all related revenue is recorded to the fund, a residual balance may appear to exist until the proper accounting has been performed and reconciliations completed. Depending on the timing of these reconciliations, a residual balance may appear due a sponsor closing their books prior to the reconciliation completion.

Due to the regulations set forth in OMB Circular A-21, residual balances on federal awards, or pass through awards that have their initial source with a federal agency are generally unallowable. Federal rules require all final accounting on a sponsored agreement be completed on or before 90 days after the end date of the agreement.

Further, federal rules require that amended final reports be completed on or before 15 months after the end date of the grant. After that date Federal sponsors will usually not accept amended reports and their related refunds.

Technically, there are no restrictions on residual balances from non-federal sponsors. However, federal regulators have indicated that they consider residual balances in excess of 10% may violate conflict of interest rules, and residual balances in excess of 20% may violate federal anti-kickback laws.

For-profit entities are in business to make a profit. In an age where businesses lay off employees, even key employees, in order to ensure profit or reduce loss, it is unlikely that they would willingly and knowingly make payments that yield residual balances in excess of 20% for work to be done is (especially when at the same time they purportedly will not pay appropriate F & A costs due to limited funding.)

Similarly, non-profit foundations that sponsor awards, while not seeking profit, do seek to maximize their investments. It also is unlikely that they would willingly and knowingly pay substantially in excess for work to be done.

Situations where budgets are inflated, expenses are recorded to other accounts in ways that create residual balances, and sponsors are charged for work not done or work not done the negotiated manner may be considered “corrupt business practices.”

## **2.0 PURPOSE**

To provide institutional guidance for the timely and appropriate utilization of residual balances of sponsored grant/contract accounts.

## **3.0 APPLICABILITY**

All sponsored awards and designated funds determined to be sponsored awards subsequent to the award performance.

## **4.0 DEFINITIONS**

### **4.1 Fixed-price Contract**

A firm fixed-price contract provides for a price that is not subject to any adjustment on the basis of the University’s cost experience in performing the contract. This contract type places upon the University full responsibility for all costs. It provides maximum incentive for the University to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties. In some cases residual balances may exist at the termination of a fixed price contract. Fixed price contracts executed by the University should include expectations regarding the disposition of residual balances.

#### 4.2 Cost-reimbursable Contract

Cost-reimbursement contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the Sponsor.

#### 4.3 Defective Contract

A defective contract in this context contains elements of both fixed-price and cost-reimbursable contracts. Due to federal regulations and OMB Circulars, unless specific authority is granted to retain residual balances, a contract that indicates it is fixed price, but also contains cost-reimbursable language is by its nature defective and must be treated as cost reimbursable.

#### 4.4 Sponsored Award

See Policy “Externally Sponsored Programs: Grants, Contracts, and Agreements”

#### 4.5 Residual Balance

Residual balances are funds remaining in a sponsored award fund after all actual revenues and expenses have been properly applied to a project account.

#### 4.6 Net Residual Balance

Residual balances less any additional related costs, adjustments for unallowable costs, less all previously unrecovered F & A costs.

### **5.0 POLICY**

5.1 It is the policy of Saint Louis University that all costs and revenues related to a sponsored award are to be recorded to the specific fund related to that award and nowhere else. Mandatory cost sharing should be recorded to the appropriate unrestricted account as set out in Cost Sharing Policy.

5.2 Fixed price agreements that contain federal funding must include the terms “Fixed Price Contract” and “residual balances may be retained by the University” or the agreement will be considered defective, and residual balances will be returned to the sponsor.

5.3 All accounts with residual balances will be reviewed in the Office of Sponsored Programs Administration to ensure the sponsored funds have accounted for all related obligations related to the sponsored activity.

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5.5 All unrecovered F & A costs will be recovered prior to the return of any residual funds to the PI’s designated fund.

5.6 Sponsored agreements that fall under the FAR and have appropriate administrative fees budgeted that do not exceed 7% will require no further review. Residual balances on those awards will be transferred to the PI's designated funds upon closeout of the award.

5.7 Net residual balances will be transferred to a PI's designated fund after the related sponsored award has been appropriately closed out.

5.8 Costs determined to be unallowable on sponsored awards during the residual fund review will be the responsibility of the PI and their department and will need to be removed from the fund prior to the end of the current accounting period.

5.9 No residual balances of federal awards under OMB Circular A-21 will be distributed unless:

In an attempt to appropriately return residual funds, the sponsor has returned the payment to the University,

The agreement contains the term: "The University may keep residual balances",

Subsequent written approval from the sponsor is received by the Office of Sponsored Programs Administration.

5.10 Residual balances from non-federal sponsors that exceed 10% but less than 20% must be accompanied by a certification from the PI and business manager that all related costs have been appropriately charged.

5.11 Residual balances from non-federal sponsors that exceed 20% will not be distributed to the PI. The Vice President of Research will determine the disposition of all residual balances over 20%.

5.12 Residual balances will not be distributed on funds in which no expenses have been recorded to conduct the scope of work.

5.13 The University will not tolerate corrupt business practices related to sponsored activity.

## **6.0 SANCTIONS**

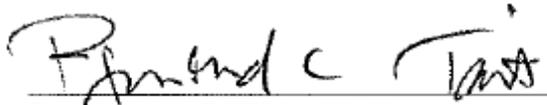
Funds that appear to have suspicious activity, excess residual balances, or corrupt business practices will be referred to the Research Compliance Department for investigation.

**APPROVAL SIGNATURES**

This policy was developed by:

Vice president for Research

This policy has been approved by:

 Raymond C. Tait, Ph.D. Vice President for Research Saint Louis University	January 1, 2011 Date
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Revision History		
Effective Date	Version	Modification
January 1, 2011	1.0	New Document