



BROWN

Management of Fixed Price Agreement Residual Funds

SOP 10.15.01

Effective Date: August 10, 2020

1.0 Standard Operating Procedure (SOP) Purpose

To manage Residual Funds remaining on Sponsored Project awards that are issued to Brown as Fixed-Price Agreements in order to allow for timely closeout of awards.

2.0 SOP

The following procedure is used to manage Residual Funds remaining on Sponsored Project awards that are issued to Brown as Fixed-Price Agreements. The steps to be taken include:

- 1) Ensure that transfer of Residual Funds to a non-sponsored account is not prohibited by the terms of the Fixed Price Agreement and that all deliverables and milestones have been satisfied under the terms of the Sponsored Agreement.
- 2) Confirm that all sponsored funds have been received, all expenses related to the project are reflected in the account and all effort that has been charged to the project is in line with the work performed.
- 3) Initiate a request to transfer the residual funds to a non-sponsored account through submission of the Residual Balance Transfer Request Form for large balances as defined below.
- 4) Distribute Residual Funds to appropriate non-sponsored account(s) for use in further research endeavors in accordance with the below Distribution Schedule.*

All residual balances over 25% and or > \$100K of the total sponsored award will be thoroughly reviewed to understand the circumstances of the large residual balance before action is taken. Documentation of budget balances will be documented on the Residual Funds Balance Transfer Form

DISTRIBUTION SCHEDULE	
<u>Amount of Residual Funds</u>	<u>Allocation of Residual Funds</u>
Small balances: If unexpended balance after award closeout is <25% of the total sponsored award amount and/or <\$100K	The School/Center/Department will determine the internal distribution process. OSP will return funds to the F&A recovery account for the academic unit after the award period ends and during the OSP closeout process.
Large balances: If the unexpended balance after award closeout is ≥25% of the total sponsored award amount and/or ≥\$100K	Principal Investigator and Department Chair or Designee will sign and submit an approved Residual Balance Transfer Request Form to OSP with a detailed explanation of the unexpended balance and the unrestricted non-sponsored departmental account to which the residual balance should be transferred.

(Appendix A).

*If multiple PIs/Departments named on the Award, there will be a fair distribution among the parties as approved by OSP in consultation with the lead PI. After funds are returned to PI/Center/Department/ School the local unit may alter the distribution and/or percentages in accordance with their organization's established practices.

3.0 Definitions

For the purpose of this SOP, the terms below have the following definitions:

Fixed Price Agreement: The sponsor pays Brown an agreed upon amount for a deliverable(s), based on anticipated costs. This agreement type puts Brown at maximum risk and full responsibility for all project costs. Actual project costs will not be reported to the sponsor. The sponsor is invoiced based on a pre-determined schedule which is included in the award document. Federal definitions of fixed price instruments for grants and cooperative agreements are found at 2CFR 200.45 and for contracts at Federal Acquisition Regulations FAR 16.201 (a).

Residual Funds: The unspent balance of obligated funding remaining in the sponsored award account at the project's termination. To calculate the distribution of the final unexpended balance OSP will identify direct and indirect costs by applying the project's established Facilities & Administrative ("F&A") rate to total unspent funds. The F&A rate applied is the rate in effect during the final year of the award.

For example, if a balance of \$125,000 remains on a federal or corporate funded Fixed Price Agreement, the federal rate (e.g., 62.5%) would be applied such that \$76,923 would be transferred to PI/ Department. \$48,077 would be distributed as F &A recovery per the University's indirect cost rate reallocation agreement with the applicable academic units (i.e., AMS, SPH, E&G).

Sponsor: An external funding source which enters into an agreement with the University to support research, instruction, public service or other sponsored activities. Sponsors include private businesses, corporations, foundations and other not-for-profit organizations, other colleges and universities, and federal, state and local governments.

Sponsored Agreement: A funding instrument issued to the University with specific terms and conditions in support of a project or program. All externally sponsored projects must be separately budgeted and accounted for subject to terms of the Sponsor. Sponsored Agreements may include grants, contracts (including fixed price agreements), cooperative and other transaction agreements for research, instruction, fellowship/ training, public service and other sponsored activity.

Principal Investigator (PI): The PI(s) is the individual(s) who is approved by the University and the Sponsor to design, execute and manage a Sponsored Project. The PI has responsibility for the programmatic, scientific or technical direction of the research and its financial oversight, as well as for ensuring compliance with Sponsor and University policies and regulations and applicable state or federal laws.

4.0 Responsibilities

All individuals to whom this SOP applies are responsible for becoming familiar with and following this SOP. University supervisors are responsible for promoting the understanding of this SOP and for taking appropriate steps to help ensure compliance with it.

The Principal Investigator (PI): Principal Investigators must use best efforts to develop a project budget that will appropriately and accurately cost/price these projects in line with Brown University's classification as a non-profit institution. The budget must insure that total costs are covered including full Facilities and Administrative costs (i.e., Indirect or F&A). Principal

Investigators with the assistance of the Departmental Research Administrator are responsible for reviewing the project accounts on at least a monthly basis to ensure that all expenses are being charged correctly and the project is progressing at an expected scientific or programmatic pace.

For small residual balances, OSP will initiate and transfer residual funds per the unit's F&A revenue allocation method after the award period ends as part of the account close-out process. For large residual balances, the PI may request that residual funds be transferred to a non-sponsored account after the Sponsored Project has ended, the work is completed, the deliverables submitted and the Sponsor indicates or it is otherwise determined that the return of unspent funds is not required. To complete the request, the PI and Departmental Research Administrator will complete a Residual Balance Transfer Request Form (**Appendix A**) for OSP's review and approval. The PI will participate in a post-close-out desk audit of completed milestones and deliverables and/or accounting review as necessary.

Departmental Research Administrator (DRA): The Departmental Research Administrator will work with the PI and OSP to enact the transfer of the Residual Funds to a non-sponsored account. They will participate and provide cost documentation during close-out and any subsequent examination of project costs, milestones and deliverables.

The Office of Sponsored Projects (OSP): OSP will review the account to ensure that all sponsored funds have been received, all expenses related to the project are reflected in the account, all PI and personnel effort that has been charged to the project is in line with the work performed, and all award requirements have been met. OSP will confirm that the terms and conditions of the award **do not** require the return of unspent funds. If the documentation is unclear or does not provide adequate instructions, a request to retain Residual Funds for research purposes may be sent to the Sponsor from OSP. If the Sponsor instructs Brown to return unspent funds, OSP will enact the transfer. If the sponsor declines or does not reply within 90 days the University will retain the unspent funds. OSP will instruct the PI and Departmental Research Administrator to complete and forward the Residual Balance Transfer Request Form for large balances.

5.0 Related Information

The following information compliments and supplements this document. The information is intended to help explain this SOP and is not an all-inclusive list of policies, procedures, laws and requirements.

5.1 Related University Policies:

- Proposal Submission Policy and Guidelines
- Award Management Policies
- Financial Reporting and Closeout Policy
- Direct Charging Policy
- Subaward Management
- Cash Management
- Cost Transfers
- Financial Reporting
- Cost Sharing
- Effort Reporting
- NIH Salary Cap
- Summer Salary
- Sponsored Travel Policy
- Terms and Conditions in Sponsored Research Agreements

5.2 Related SOPs: N/A

5.3 Related Forms: Residual Balance Transfer Request Form

5.4 Frequently Asked Questions (FAQs): N/A

5.5 Other Related Information: N/A

6.0 SOP Owner and Contact(s)

6.1 SOP Owner: Director, Office of Sponsored Projects

6.2 SOP Approved by: Vice President for Research

6.3 Subject Matter Contact: Director Office of Sponsored Projects

- Telephone: 401-863-2777
- Email: Resadmin@brown.edu

7.0 SOP History

7.1 SOP Effective Date: August 10, 2020

7.2 SOP Last Reviewed: July 30, 2020

7.3 SOP Update/Review Summary: N/A

Appendix A

Residual Balance Transfer Request Form

Date of Request:

Award Number:

Sponsor:

Original Award Amount:

F&A rate (indirect cost):

Residual Balance:

Award End Date:

Percent of Total Funding:

I confirm the following (Check all that apply):

- All work has been completed.
- No outstanding work activities or deliverables remain open or in question with the sponsor.
- All technical reports have been submitted and/or accepted by the sponsor.
- All invoices for the project have been submitted and all payments received.
- All applicable expenditures have been charged to the award.
- Residual funds are the property of Brown. Such funds may be transferred into Principal Investigator or Departmental or School/ Center/Library accounts and used to support the research mission of the University.
- Complete next page for residual balance transfers greater than 25% of the total award value.

Principal Investigator Name:

Required for balances >25% or >\$100,000

Signature:

Departmental Chair or Designee

Required for balances >25% or >\$100,000

Signature:

Dean/ Center Director/ Librarian Name:

If Chair is not available or not applicable

Signature:

Non-sponsored account/ worktag for account(s) receiving residual funds:

Requests for transfers of Residual Funds $\geq 25\%$ of the total sponsored award amount and/or $\geq \$100K$ require additional documentation. If a significant balance ($>25\%$) exists in any line item of the budget, a reason for the variance must be detailed below:

