

ORA-02-03.01 Definition of Residual Funds

Residual funds are defined as an unobligated, unspent balance remaining in a sponsored program account at the conclusion of the project. A residual fund balance occurs when the project's income or revenue is greater than the expense incurred. Residual fund balances generally occur on fixed price contracts and awards.

Fixed price performance based agreements are those in which a price is determined for the project work to be accomplished. The payment is tied to the successful completion of tasks and deliverables. If the deliverables are not met, the sponsor is not obligated to pay.

ORA-02-03.02 Regulations Regarding Estimating, Costing, Accumulating, and Reporting of Costs

The University of Akron must maintain compliance with Uniform Guidance (2 CFR 200) and the federal Cost Accounting Standards, specifically, "Consistency in Estimating, Accumulating and Reporting Costs by Educational Institutions," 48 CFR 9905.502.

*The purpose of this Cost Accounting Standard is to ensure that each educational institution's practices used in **estimating** costs for a proposal are **consistent** with cost accounting practices used by the institution in **accumulating** and **reporting** costs. Consistency in the application of cost accounting practices is necessary to enhance the likelihood that comparable transactions are treated alike. With respect to individual contracts, the consistent application of cost accounting practices will facilitate the preparation of **reliable cost estimates used in pricing a proposal and their comparison with the costs of performance of the resulting contract**. Such comparisons provide one important basis for financial control over costs during contract performance and aid in establishing accountability for costs in the manner agreed to by both parties at the time of contracting. The comparisons also provide an improved basis for evaluating estimating capabilities.*

ORA-02-03.03 Reason for Policy

To ensure compliance related to consistent estimating and costing, the Office of Research Administration (ORA) reviews all completed fixed price agreements that show a significant deviation between proposed costs and actual expenditures. If estimates are consistently and significantly higher than actual costs, the institution may have a cost estimation problem or a cost expensing problem, or both. As a non-profit organization, the University must not intentionally generate "profit" from externally funded activities.

Fixed price agreements involve a degree of financial risk. A fixed price contract requires the University to perform the work to the sponsor's specifications regardless of the actual cost of doing the work. Therefore, the PI/PD must budget carefully to ensure that the funds received from the sponsor are sufficient to cover the actual project costs. Ideally, accurate budgeting and charging of costs should result in circumstances where there is neither a deficit nor a substantial surplus of funds at the project's completion.

At the conclusion of a fixed price agreement, the PI/PD must confirm that there has been a proper accounting and closeout of the agreement and that the terms and conditions have been met (i.e., all reports and deliverables required by the agreement have been provided to the sponsor). This certification ensures that all expenses related to the project have been properly charged to the sponsored project account. This certification is required to ensure that a residual balance, if any, is legitimate and can, therefore, be retained by the University.

ORA-02-03.04 Policy

It is the policy of the University of Akron to transfer residual balances that meet all of the stated requirements to the PI/PD's Indirect Cost (IDC) Recovery Account. An account will be established for those PI/PDs without an active, Indirect Cost Recovery Account. Before the transfer of funds, the fixed price residuals are assessed Indirect Costs (IDC) at the rate paid by the sponsor at the time of award.

To initiate the residual fund process, the PI/PD will submit the completed Certification of Residual Funds Form to the Office of Research Administration. ORA will confirm that all allocable expenses have been charged to the project, and all deliverables have been submitted to the sponsor. Residual balances greater than or equal to 25% of the total award amount will require written justification from the PI/PD as well as additional review by the Office of Research Administration prior to transfer.

ORA-02-03.05 Multiple Projects

When there are multiple projects under one award, and a residual balance exists on the child project, the balance will roll up to the parent project unless the PI/PD allows the Co-PI/PD to retain the residual balance.

ORA-02-03.06 Principal Investigator's Responsibility

It is the responsibility of the PI/PD to ensure that all appropriate expenses are charged to the project and that all required deliverables, except for financial reports and invoices that are completed by ORA, are submitted to the sponsor.