

Residual Income on Fixed Price Sponsored Programs

SPA-11-012



About This Policy

Effective Date:

02-01-2011

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Responsible University Office:

Office of the Vice President for Research

Responsible University Administrator:

Vice President for Research

Policy Contact:

Steve Martin, Associate Vice President for Research

stemarti@iu.edu

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Scope

This policy applies to all Indiana University faculty and staff with the responsibility to oversee or manage fixed-price agreements.

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Policy Statement

It is the policy of Indiana University that residual income on fixed price awards may be moved to an account outside of the sponsored account fund group. In instances where the amount of residual income is greater than 50% of the award total or greater than \$50,000, a written justification explaining the residual income is required and must be approved by the Office of Research Administration. Residual income not sufficiently justified by the department will be transferred to a central university account and the account closed.

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Reason For Policy

To establish guidelines and best practices for the transfer of residual income on fixed price awards from a sponsored account. A significant residual income balance calls into question the integrity of accounting for costs related to the project. A written justification is required to adequately ensure that costs appropriate to the fixed price account have not been incorrectly placed on cost reimbursable, federal or federal pass through accounts.

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Procedure

Upon conclusion of a project, departments must ensure that the project is complete and that costs have been correctly allocated to the project. The expectation is that a fixed price award will have the expense closely match the income if the costs were sufficiently determined at the proposal stage. Charges to fixed price accounts, including drug studies and clinical trials, must reflect all actual effort and related costs incurred.

For awards where the residual funds exceed the thresholds stated in this policy, the fiscal officer or delegate will be required to certify that 1) all income has been received for the project, 2) all project work is complete, 3) all reports and or other deliverables have been provided to the agency, and 4) all expenses have been properly charged to the account.

If necessary, additional justification may be required from the Principal Investigator, providing an explanation for a large residual and certifying that no expenditures appropriate to the project were allocated to restricted funding sources (in particular, other federal grants and contracts).

Upon review and approval of the unit's justification, the Office of Research Administration will move the residual income using a Transfer of Funds document to the appropriate account number as provided by the account fiscal officer or delegate.

A portion of the residual income (determined by the project's indirect cost rate) will be transferred to the appropriate responsibility center income account.

ORA will provide two notices (after the project is final-reported and all income has been received, and thirty (30) days later) to the unit requesting justification for the residual income and an account number for the residual transfer. Residual income not sufficiently justified by the department within sixty (60) days will be transferred to a central university account and the account closed.

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Definitions

Fixed Price Award: An award provided to Indiana University by an external funding agency when a fair price for the anticipated work is determined at the proposal stage. Costs are pre-determined based on a fixed fee per unit of service or deliverables. The total award is not subject to any upward or downward adjustment of funds based on actual costs. There is no stipulation or expectation that excess funds be returned to the funding agency.

Residual Income: An unobligated, unspent balance remaining in a sponsored account at the conclusion of the project. Residual income occurs when the income or revenue is greater than the expense incurred upon completion of the project. Residual income may occur on fixed price awards for seminars or conferences, certain per-patient drug studies and clinical trials, and other fixed price contracts.

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Sanctions

Failure to apply this policy could result in forfeiture of the residual income, audit findings and cost disallowances.

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History

Replaces:

- Important Notice 98-3 “Residual Funds on Fixed Price Awards”

Previous Versions:

- **Effective Dates: 2-1-2011 through 5-3-2017**