FAQ FIXED-PRICE AGREEMENTS - RESIDUAL BALANCE

Overview: Fixed-price agreements are expected to be based on the best estimate of the funds needed to complete a project. In some cases, a small residual balance may remain at the end of the project. At the time the fund is to be closed, the academic unit may retain that portion of the balance representing the unused direct costs, net of the indirect (F&A) portion. The amount of the residual balance should not exceed twenty percent (20%) of the award. This is accomplished by the preparation of a Journal Voucher (JVDP), debiting income on the account to be closed and crediting income in the unit’s Miscellaneous General Research Account for the direct expense portion and 001-69 (1001), using Object Code 0062 for the indirect portion. Accounts should be closed within a reasonable period after the termination date, but no later than six months after the termination date (or approved extensions). All costs related to a project must be charged to the account at the time the cost is incurred. It is inappropriate for investigators to utilize general funds to support the project in an attempt to generate a residual balance in the restricted account at the end of a project. Source: https://guru.psu.edu/policies/RA90.html

1. What are the criteria for an academic unit to retain a portion of the residual balance?
   - Balance is less than 20 percent of the award amount, including costs posted to other academic units, other restricted accounts involved with the project
   - Scope of Work (SOW) was completed and accepted by the sponsor
   - Approval by the Grant Administrator (GA) and Financial Officer (FO)
   - Indirect portion must be transferred to the central indirect (F&A) income account

2. What is the process when the balance is greater than 20 percent of the award amount?
   This should be an unusual situation that would be considered on a case-by-case basis and addressed with Research Accounting

3. When multiple academic units, IBIS accounts are involved, should the balance be shared among the units?
   No, the primary academic area should receive the balance

4. What if the F&A rate used during the Period of Performance is less than the full F&A rate?
   This may occur because of a waiver or other reason, non-profit published guidelines. The budget is based on the best estimate of the funds needed to complete the SOW. Since the SOW was completed, the full F&A rate will be used for the indirect portion of the transfer (based upon the rate agreement, whether Research, Instruction or on/off).

5. After the balance is transferred to the unit’s MGR account, what are the restrictions for the use of funds?
   The associate dean of research has discretion on the use of funds, within the oversight and guidance of the GA and FO

6. If the Principal Investigator separates from the University, can the residual balance be transferred for the PI’s new institution?
   No, the residual balance is the property of the University

7. What occurs when the transfer is not made within a reasonable period, within six months?
   This should be an unusual situation that would be considered on a case-by-case basis and addressed with Research Accounting