

## Office of Sponsored Programs

### Residual Revenue in Fixed Price Awards Procedure

**OSP Procedure 0012**      **Date: 10/26/2021**      **Status: Approved**

**Procedure Type:** Public

**Issuing Office:** Office of Sponsored Programs (OSP)

**Responsible Executive:** Provost

**Affected Parties:** This procedure outlines Liberty University's (LU) position regarding the handling of residual revenue on completed fixed price awards.

The procedure applies to all university principal investigators, departments and offices that are involved by any means in charging, administering, using or part of the planned implementation of sponsored award agreements or subawards issued, regardless of the primary source of funding.

**Procedure Statement:** The Office of Sponsored Programs (OSP) functions as the steward of LU's external sponsored program funding and is responsible for ensuring that all proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. This procedure establishes criteria which

- Provides access to residual revenue in fixed price funds where the statement of work has been completed.
- Ensures that the expenditure of such revenue is not restricted by the former sponsor's requirements but continue to follow university and state procurement guidelines.
- Minimizes the burden placed on the institution's financial operations regarding oversight of these funds and documents that further expenditures are for approved purposes.

**Reason for Policy:** **OSP** works to maintain full compliance with the components of its sponsored agreements and with federal, state, local and university laws, rules, regulations and policies.

Sometimes on firm fixed price awards, revenue remains in a fund upon completion of the project. Use of such revenue is subject to internal university control, and is not subject to the controls established by the sponsor in the initial award and thus its use should be accounted for separately.

The residual revenue occurs after all allocable expenditures have been charged to the fund, and after all indirect charges have been appropriately distributed. The resulting residual revenue is accounted for as outlined in this procedure.

**Definitions:**

**Fixed Price Award** – Fixed amount awards are a type of contract or agreement under which the sponsor or pass-through entity agrees to a specific level of financial support before the work begins. Under a fixed price award the deliverables, period of performance and price are clearly stipulated, and accountability is based primarily on performance and results. A fair price for the anticipated work is based on a careful cost and price analysis performed at the proposal stage. There is no stipulation or expectation that excess funds be returned to the sponsor.

**Residual Revenue** – Revenue remaining in a fixed price fund after all obligations to the sponsor have been met and after all allocable costs for performance have been charged to the fund.

**Sponsor** – refers to any third party that issues a grant, contract, or cooperative agreement directly to Liberty University. The award document is the agreement processed by the Sponsor and accepted by Liberty University specifying the terms and conditions under which the program will be conducted.

**Residual fund** – A residual fund is a fund made available to a single Dean/PI and comprised of the unobligated, unspent direct budget balances remaining at the close of that PI's fixed price sponsored awards.

**Residual Revenue Access**

Residual revenue on fixed price awards that are no longer subject to the restrictions of the contract or grant agreement must be moved to a residual fund. The PI must ensure that the project is complete and that costs are allocated correctly to the project before a transfer of the residual revenue is initiated. No cost extensions may not be requested or granted when the effort related to the project is complete and when the intent of the extension would be merely to spend the residual revenue by charging unrelated costs to the project.

When a fixed price fund is completed, residual revenue remains and all sponsor requirements have been met, the PI should provide a *Residual Request Form* to the Office of Sponsored Programs in conjunction with the Finance Department, to request the residual revenue balance associated with the award's direct costs be made available for expenditure by the Dean/PI in their residual fund.

The *Residual Request Form*, completed by the PI, certifies the following:

- All costs properly allocable to the effort have been charged to the fund according to applicable regulations, policies and procedures and that all obligations to the sponsor have been satisfied.
- Departmental (and College if required) concurrence in release of the residual revenue for the Dean/PI's expenditure use.
- All direct residual balances in excess of 25% must include an explanation from the PI as to why excessive revenue remains while still achieving the statement of work.

### **Processing of Residual Revenue**

Upon receipt of the completed Residual Request Form, the Finance Office will prepare a journal entry to move the residual revenue balance for the unspent **direct cost budget**. Residual Revenue funds will be moved into a special purpose account for each PI that will be set up by the Finance Office.

The residual revenue balance for the **unexpended indirect cost budget** will be transferred based on the standard overhead distribution as outlined in **0009 Distribution of F&A for Research Grants and Contracts**.

### **Review Cycle:**

Every two years or as needed. All OSP policies will be reviewed by the Director of the Office of Sponsored Programs, with input from the following departments as needed: Finance, Legal, Human Resources and the Graduate School. The Provost will approve all OSP policies.