1. PURPOSE

To establish a procedure to properly calculate and distribute any sponsored project funds remaining (residual balance), after all University requirements have been met for fixed fee agreements (including, but not limited to clinical trials), where funds were paid and the sponsor does not require the unused balance to be returned at the end of the project period.

2. DEFINITIONS

2.1. Fixed Price or Fixed Fee: A sponsored agreement or contract established within the University sponsored projects restricted fund range where the sponsor agrees to pay an agreed upon price, for an agreed upon product or deliverable. Payment is not based on reimbursement of costs incurred, actual costs may be less than or more than the agreed to “fixed price”, and unused funds may be retained by the University. The agreement is processed through OSP (Office of Sponsored Programs) and OGC (Office of Grants and Contracts). The Principle Investigator (PI) and administering Department are liable for any deficit should the actual costs exceed the “fixed price”.

2.2. Fee-For-Service: A sponsored agreement or contract established within the University sponsored projects restricted fund range where the sponsor agrees to pay an agreed upon rate, for an agreed upon service or specific tasks to be performed. Payment is not based on reimbursement of costs incurred, actual costs may be less than or more than the agreed to “fixed fee”, and unused funds may be retained by the University. The agreement is processed through OSP and OGC. The PI/Department are liable for any deficit should the actual costs exceed the “fixed fee”.

2.3. Payments: Sponsor payments (ECU revenue) for fixed price agreements may be made in advance, upon receipt of deliverables, on a scheduled pay basis, upon receipt of invoices, or by other means, as established by the sponsor. Some sponsors may be invoiced by the PI/Department and others may be invoiced by OGC. All payments, regardless of payment/invoice process, should be forwarded to OGC for deposit and appropriate Banner fund allocation.

2.4. Terminology: For the purposes of this procedure, any/all agreements with a fixed component, eligible for residual processing, will be referred to as a fixed sponsored project/agreement/award; regardless of actual
funding mechanism (grant, contract, cooperative agreement, purchase order, etc.) or the sponsor's payment structure.

3. RESPONSIBILITY

The Principle Investigator (PI) and Departmental Administrator (DA) are responsible for assuring that all costs supporting or on behalf of the sponsored project are appropriately charged to the award fund. Costs which support the purposes of the project should not be booked to another ECU fund. Every effort should be made to ensure that University resources are not inadvertently subsidizing sponsored projects activity. Most proposal budgets will not forecast exact actual costs but they should be reasonable estimates of the project needs. Project expenditures should be managed with the budget and anticipated revenues in mind.

3.1. The PI/DA is responsible for notifying OGC, at any point in time, when project activity or deliverables are completed. The Banner fund may be closed earlier than the anticipated project end date when program activity/deliverables are completed and all appropriate expenditures and earned revenue have been booked in the accounting system.

3.1. A. The Banner fund may be closed earlier than the final activity for the project, when recruitment and other active major project tasks have ended. (For example: When only long-term follow-up activity or data analysis, where minimal or no additional payment, is anticipated, the Banner fund should be closed.)

3.1. B. A Banner fund should not be retained solely for long-term follow-up if the main activities, expenditures, and revenues for the award have been completed and/or the study has been closed to recruitment or additional participant service activities.

3.1. C. Normally, the fund will be closed within 90-days of the budget end date or the completion of major activities such as recruitment and testing, whichever comes first. OGC will work with the PI/DA to determine an appropriate Banner close date.

3.2. The PI/DA is responsible for notifying OGC, at any point in time, when no additional revenue is anticipated and/or whenever projected expenditures will exceed projected revenue. Timely notification and appropriate oversight of revenues/expenditures on awards is essential to avoiding potential deficits.

3.3. The PI/DA oversight of revenues/expenditures on fixed awards is also essential to avoid potential audit questions concerning revenues in excess of expenditures or potential unrelated business income tax (UBIT). All sponsored projects activities should help maintain the University’s non-profit educational, healthcare, and research missions. Residual balances should not normally exceed 25% of revenue received.

3.4. Occasionally, actual expenditures will exceed revenue generated for a fixed award. Any true deficit on an award must be funded by the PI/Department from non-sponsored funds. Deficits must be cleared on a timely basis (within 30 days of discovery or overrun notification from OGC, whichever comes first). When deficits are not cleared within 60 days, OGC may invoke overrun procedures and unilaterally fund the deficit from a PI/Department non-sponsored or F&A fund. (For additional information see OGC Deficit/Overrun Procedures at http://www.ecu.edu/grants/policies-procedures.cfm)
4. **TIME EXTENSIONS**

Many fixed awards are issued without a firm project period end date. However, in order to assure that all compliance requirements are met (human subjects, animal use, environmental safety, etc.) the Office of Sponsored Programs (OSP) and the Clinical Trials Office (CTO) will normally issue an award notice with an annual termination date.

4.1 For fixed awards with no firm project end date, where sponsor approval is not specifically required, and if primary award activity is on-going, and all compliance documents are up-to-date, OSP/CTO may continue/extend the award, on an annual basis, to an estimated project period not to exceed five years.

4.2. Extensions should only be requested when there is on-going program activity directly related to project deliverables/services. The Banner fund should not be extended solely for the purpose of spending down balances. Funds may be extended by OGC for up to 90 days, from the termination date, to complete financial transactions and final accounting adjustments, and this will not require formal OSP/CTO approval. Extensions beyond 90 days should only be made when there is actual on-going program activity and the extension must be approved/issued by OSP/CTO.

4.3. For awards with no firm project end date, at the end of a five year project period, if activity is continuing under the original terms of the agreement, the PI may request an additional extension. However, OSP/CTO may need to verify on-going activity status with the sponsor before issuing an extension.

5. **BALANCES AT TERM**

When the project activity is completed, final revenues have been received, and the Banner fund can be closed, if there remains an unobligated balance (residual) these are earned funds and may be retained by the University. Residual funds should be used to enhance and support the research and sponsored projects activities of ECU.

5.1. Residual funds are subject to additional F&A (facilities and administrative costs, also known as indirect cost or overhead) based on award-specific balances and current F&A rates. F&A rates are subject to periodic change. All F&A calculations for residual balances will be based on this policy and the F&A rate in effect at the time of the residual transaction. The recalculated residual balance (after F&A assessment) will be distributed to the appropriate PI/Departmental/Dean Banner residual fund, in accordance with this policy.

5.2. Except as noted in section 6, the F&A calculation and distribution is based on the F&A distribution on record as established for the specific award. Distribution of F&A is commonly 70-10/10/10 where 70% is to the institution, 10% to the Dean/College, 10% to the Department/Chair, and 10% to the PI. For approved Centers/Institutes the distribution of F&A is commonly 60-10/10/10/10 where 60% is to the institution 10% to the Center/Institute, 10% to the appropriate academic Dean, 10% to the academic Department/Chair, and 10% to the PI. Actual distributions may vary by award as approved at the time the award is established in Banner.

5.3. Except as noted in section 6, if the award F&A is split between multiple PIs/Departments/Colleges, the recalculated F&A will be distributed in proportion to the previously agreed upon split of F&A proceeds. However, in conformance with other F&A calculation procedures, F&A split distributions will not be processed for amounts less than $1. F&A distributions less than $25 (total) will be distributed to the institutional pool and not distributed to the PI/Department/Dean.
6. RESIDUAL AND F&A CALCULATIONS

The F&A assessment and residual distribution may vary based on the amount of residual, the type of award, and how the F&A rate is established.

6.1. Clinical trials (CT) are commonly negotiated at a 26% or similar F&A rate. This is a waived rate. University policy is that CT’s should have the full research rate. Residual calculation for CTs will be based on the current full research rate and this policy.

6.2. If there was no F&A rate distribution previously established for the award (examples: zero F&A or waived internal distribution agreement), a minimum of 26% calculated rate will accrue to the institutional pool and will not be distributed. F&A will only be distributed to the PI/Dept./Dean when there is a previously established distribution for the award or the F&A calculation rate exceeds 26%. F&A at the full research rate will be distributed 70/30 or 60/40, in accordance with the award unit’s normal distribution process. The F&A assessed will be capped if it creates a deficit for the fund.

6.3. When the initial residual is more than $3,000, and more than 50% of the revenue earned, the PI will receive a maximum of 50% of the original residual and the appropriate Dean will receive the balance of the recalculated residual to be used to support and offset personnel and other related costs associated with research and sponsored projects activities.

6.4. If the initial residual balance is less than $3,000 and less than 50% of the revenue earned and the F&A rate is equal to or more than 26%, regardless of sponsor published or waived rate for the award, OGC will calculate F&A on the full revenue, at the agreement F&A rate, and the balance of the funds will be transferred to the appropriate PI/Department residual fund. The F&A assessed will be capped if it creates a deficit for the fund.

6.5. If the initial residual balance is less than $3,000 and less than 50% of the revenue earned and the F&A rate is less than 26%, regardless of sponsor published or waived rate for the award, OGC will calculate F&A on the full revenue, at 26%, and the balance of the funds will be transferred to the appropriate PI/Department residual fund. The F&A assessed will be capped if it creates a deficit for the fund.

6.6. If the initial residual balance is less than $3,000 and more than 50% of the revenue earned, regardless of sponsor published or waived rate for the award, OGC will calculate F&A on the full revenue, at the then current full research rate or the agreement rate, whichever is highest. The balance of the funds will be transferred to the appropriate PI/Department residual fund. The F&A assessed will be capped if it creates a deficit for the fund.

6.7. If the initial residual balance is more than $3,000 and less than 50% of the revenue earned, regardless of sponsor published or waived rate for the award, OGC will calculate F&A on the full revenue, at the then current full research rate or the agreement rate, whichever is highest. The balance of the funds will be transferred to the appropriate PI/Department residual fund. The F&A assessed will be capped if it creates a deficit for the fund.

6.8. If the initial residual balance is more than $3,000 and more than 50% of the revenue earned, regardless of sponsor published or waived rate for the award, OGC will calculate F&A on the full revenue, using the current full research rate. The F&A assessed will be capped if it creates a deficit for the fund.

6.8. A. The PI will receive a maximum of 50% of the original residual earned.
6.8. B. The balance of the recalculated residual earned will be distributed to the appropriate Dean’s residual fund to be used to support and offset personnel and other related costs associated with research and sponsored projects activities.

7. **ADDITIONAL INFORMATION**

7.1. Industry sponsored clinical trials and other fixed fee awards may be subject to Federal Unrelated Business Income Tax (UBIT). Any necessary UBIT payments will be charged to residual funds. If there is an insufficient amount from the residual funds, the balance of the UBIT payment will be from other non-sponsored PI/Department/College funds.

7.2. For additional information about the residual procedures or F&A calculations, please contact your OGC representative or write grantsc@ecu.edu.


7.4. Examples of some residual calculations are shown in Attachment One.
EXAMPLES OF RESIDUAL AND F&A RECALCULATIONS
Examples are rounded to whole dollars

6.4. Residual less than $3,000 and less than 50% of the revenue earned and the F&A rate is 26% or more

Award revenue of $20,000 and expenditures of $18,000 leaving an initial residual of $2,000. The award has an F&A rate of 30%. Banner shows $13,846 in direct costs and $4,154 in F&A. Recalculated F&A at 30% of total revenue = $4,615. Additional F&A of $461 is assessed ($4,615 - $4,154) leaving a recalculated residual of $1,539 ($2,000 - $461). The recalculated residual of $1,539 is transferred to the PI/Dept. residual fund.

6.5. Residual less than $3,000 and less than 50% of the revenue and the F&A rate is less than 26%

Award revenue of $10,000 and expenditures of $7,500 leaving an initial residual of $2,500. The award has an F&A rate of 10%. Banner shows $6,818 in direct costs and $682 in F&A. Recalculated F&A at 26% for total revenue = $2,063. Additional F&A of $1,381 is assessed ($2,063 - $682) leaving a recalculated residual of $1,119 ($2,500 - $1,381). The recalculated residual of $1,119 is transferred to the PI/Dept. residual fund.

6.6. Residual less than $3,000 and more than 50% of the revenue earned

Award revenue of $5,000 and expenditures of $1,500 leaving an initial residual of $3,500. The award has an F&A rate of 30%. Banner shows $1,154 in direct costs and $346 in F&A. Recalculated F&A at 47.5% of total revenue = $1,610. Additional F&A of $1,264 is assessed ($1,610 - $346) leaving a recalculated residual of $2,236 ($3,500 - $1,246). The recalculated residual of $2,236 is transferred to the PI/Dept. residual fund.

6.7. Residual more than $3,000 and less than 50% of total revenue

A. Award revenue of $100,000 and expenditures of $85,000 leaving an initial residual of $15,000. The award has an F&A rate of 35%. Banner shows $62,963 in direct costs and $22,037 in F&A. Recalculated F&A at 47.5% for total revenue = $32,203. Additional F&A of $10,166 is assessed ($32,203 - $22,037) leaving a recalculated residual of $4,834 ($15,000 - $10,166). The residual of $4,834 is transferred to the PI/Dept. residual fund.

B. Award revenue of $100,000 and expenditures of $85,000 leaving an initial residual of $15,000. The award has an F&A rate of 47.5%. Banner shows $57,627 in direct costs and $27,373 in F&A. Recalculated F&A at 47.5% for total revenue = $32,203. Additional F&A of $4,830 is assessed ($32,203 - $27,373) leaving a recalculated residual of $10,170 ($15,000 - $4,830). The residual of $10,170 is transferred to the PI/Dept.

6.8. Residual more than $3,000 and more than 50% of total revenue.

Award revenue of $100,000 and expenditures of $40,000 leaving an initial residual of $60,000. Because the initial residual is more than 50% of the total revenue, the PI/Dept. will receive a maximum of 50% of the original residual and the appropriate Dean will receive the balance based on the recalculated residual.
The award has an F&A rate of 35%. Banner shows $29,630 in direct costs and $10,370 in F&A. Recalculated F&A at 47.5% full research rate for total revenue = $32,203. Additional F&A of $21,833 is assessed ($32,203 – $10,370) leaving a recalculated residual balance of $38,167 ($60,000 - $21,833).

The PI/Dept. will receive up to 50% of the initial residual = $30,000. Of the recalculated residual of $38,167, the PI/Dept. will receive $30,000 and the Dean will receive $8,167.