Disposition of Unexpended Balances on Fixed Price Contracts and Nonrefundable Grants

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The most common form of fixed price agreement supporting University research is the fixed price contract in which defined deliverables (usually reports) are produced by the University and the sponsor pays a pre-set amount for each deliverable.

The financial terms of fixed price agreements should establish a payment schedule, which provides reasonable advance payments so that the University is not inappropriately financing the research. Fixed price agreements should only be entered into when the University is reasonably certain that the total cost (including direct and indirect costs) to produce all deliverables will not exceed the total fixed price. This approach often results in some monies remaining after delivery of agreed-upon services, which is also true in many instances, for nonrefundable grants. This document provides guidance on how to address those remaining monies.

With fixed price contracts and nonrefundable grants, it is expected that the scope of work will be met by the Principal Investigator (PI) for the amount awarded in the contract or grant; therefore, indirect costs should be assessed on the total awarded amount of the contract or grant. If costs incurred doing the work do not fully expend the awarded amount, the PI may request from Extramural Funds (EMF) that the unexpended balance, less applicable indirect costs and less an unexpended cost-share from other sources, be transferred to unrestricted funds under the PI’s division provided that no designation was made by the sponsor as to the disposition of the unexpended balance. Costs that exceed the award amount become the responsibility of the PI to work with their Research Accountant to transfer the excess balance off of the award.

The PI request, along with approvals from all required grant signers, must include a written assurance that all work under the award has been completed, all reports submitted to the sponsor, all costs of conducting the work appropriately charged to the fund established for the award, all invoices submitted and all anticipated payments received; and written endorsement of the Department Chair or Organized Research Unit Director/Finance Director. If the unexpended balance is greater than 10% of the total cash received from the sponsor, the PI must also provide a written explanation of the variance in addition to the above documentation. In cases where the remaining unexpended balance is less than 10% of the total cash received from the sponsor, the PI’s request to transfer the balance to unrestricted funds must include the following: written assurance that all work under the award has been completed, all reports submitted to the sponsor, all costs of conducting the work appropriately charged to the fund established for the award, and all invoices submitted and all anticipated payments received. If there are unexpended balances remaining, they must first be used to repay cost-share, if applicable.
Indirect costs on funds that remain unspent after the close-out of a fixed price contract or nonrefundable grant will be retained by campus by transfer to the indirect cost pool. The indirect costs will be calculated based on the applicable indirect cost rate in effect for the award.

All contracts and grants are subject to external and internal audits. If charges have been inappropriately recorded, corrections and adjustments will be required to be made by the PI and their financial support staff.

**Responsibilities**

**Office of Research (OR)/Office of Sponsored Projects (OSP)**
- OR/OSP will indicate on the Notice of Award that any unexpended balances remaining at the expiration of the award will be subject to the procedures listed in this document.

**Principal Investigator (PI)**
- PI will submit a request, with the appropriate assurances and supporting documentation as outlined in this document, that the unexpended balance (less applicable indirect costs) be converted into unrestricted funds.

**Research Administrator (RA)**
- RAs will utilize a unique fund code assigned to each division within each School/College where the remaining balances will be transferred for access by the PI per their organization code.

**Contracts and Grants Accounting**
- At close-out of the contract or grant, determine whether an unexpended balance remains on a fixed price contract or nonrefundable grant. If an unexpended balance exists, coordinate with the divisional research administrator for the award to ascertain what the PI would like to do with the unexpended balance. If they do not request the unexpended balance, EMF will work with Budget Analysis and Planning to identify a solution.
- When remaining balances are determined to be eligible to be converted into unrestricted funds, and requests for transfer of those balances are approved, EMF will allocate the available balance to direct and indirect costs.
- Confer with the appropriate campus officials about resolution of any concerns about a request for transfer.
- Transfer the direct cost balance to a unique campus-wide fund code delineated by the PI’s organization code and transfer the indirect cost balance to the central campus indirect cost pool.

**Deans/Chairs/Directors**
- Provide a written endorsement, if appropriate, to transfer the remaining balance to unrestricted funds.
- Ensure units’ compliance with this document. Follow up on non-compliance issues and impose consequences, if necessary.
Procedures

When there is an unexpended balance remaining after close-out of an expired fixed price contract or nonrefundable grant, the PI may request, with appropriate assurance and approvals as outlined below, that the unexpended balance of cash be transferred to an unrestricted fund, provided that no designation was made by the sponsor as to the use of the unexpended balance. Applicable indirect costs will be applied to the unexpended balance of cash, and the remaining monies converted to unrestricted funds to be made available to the PI.

The closeout and distribution of any unexpended funds will be governed as follows:

1. When fixed price contracts or nonrefundable grants are accepted, the OR/OSP, as appropriate, will indicate on the Notice of Award whether any unexpended balances remaining at the expiration of the award will be subject to the procedures listed in this document.

2. During close-out (usually within 90 days of expiration of the award), EMF in conjunction with the PI/RA will determine if an unexpended balance remains on a fixed price contract or nonrefundable grant. If there is an unexpended balance, EMF will confer with the RA working with the PI to initiate the transfer process once the required documentation has been submitted.

3. If an unexpended balance exists after review and close-out, the PI can request that these monies (less applicable indirect costs) be transferred to unrestricted funds, provided that no designation was made by the sponsor as to the use of the unexpended balance. It is strongly recommended that unexpended balances first be used to repay cost-share, if any.
   a. In cases where the remaining unexpended balance is less than 10% of the total cash received from the sponsor, the PI's request to transfer the balance to unrestricted funds must include the following: written assurance that all work under the award has been completed, all reports submitted to the sponsor, all costs of conducting the work appropriately charged to the fund established for the award, and all invoices submitted and all anticipated payments received.
   b. In cases where the unexpended balance is greater than 10% of the total cash received from the sponsor, the PI must also provide a written explanation of the variance and endorsement of the Department Chair or Organized Research Unit Director in addition to the documentation required above.

4. When unexpended balances are determined to be eligible to be converted into unrestricted funds, and requests for transfer of those balances are approved, EMF will allocate the available cash balance to direct and indirect costs, based on the applicable indirect cost rate in effect for the award. The resulting indirect costs will be transferred to the campus indirect cost pool. The remaining available direct cost balance will be transferred to a unique fund code assigned to each division within each School/College where the remaining balances will be transferred for access by the PI per their organization code. If there are concerns about a request for transfer, the EMF Director will confer with the appropriate campus officials about resolution.

5. All contracts and grants are subject to external and internal audits.
Related Documents

2 CFR Part 200 - Uniform Guidance
University of California Contract and Grant Manual
University Direct Costing Procedures A-47