

Policy

Purpose

This policy describes the treatment of residual balances associated with negotiated contracts, including clinical trial agreements, funded from external sponsors.

General Information

A negotiated contract or clinical trial agreement requires that UTRGV perform an agreed upon scope of work for an external sponsor for a pre-determined compensation amount generally based on anticipated costs. To reduce risk to the university, it is critical that costs be budgeted to closely approximate the actual costs of performance.

When the budgeted cost exceeds the actual cost of performance, a residual balance surplus will result which, unless required to be returned to the sponsor, may be used to further the university's mission. On the other hand, a cost overrun will result in a residual balance deficit which must be covered from unrestricted resources.

All participants in this process shall be responsible for ensuring compliance with this policy.

Definitions

A *negotiated contract* is an agreement between the university and an external sponsor in which a university investigator agrees to perform specific deliverables within a specified period for a fixed price. In most cases, sponsors do not require the university to return unexpended funds at the conclusion of a project.

A *clinical trial agreement* is a type of negotiated contract where a university investigator conducts a clinical study for an industry sponsor to evaluate the effectiveness of a drug, device, or procedure in treating medical problems.

A *residual balance* is the unobligated cash balance at the end of the performance period, after all deliverables and financial obligations have been completed and final payment from the sponsor has been received. Although the residual balance is normally a surplus, a deficit may occur due to cost overruns.

The *project manager* is the individual chiefly responsible for managing the university's performance under the contract and is generally the principal investigator (PI).

Provisions

Following the expiration of the negotiated contract or clinical trial agreement, residual balances will be made available only after the following conditions are met:

1. All project deliverables have been provided, approved and accepted by the sponsor
2. All direct charges and project revenue are properly accounted for
3. All project payments have been received from the sponsor
4. All project closeout documents have been provided to the Office of Sponsored Programs (OSP) and the Office of Grants & Contracts
5. All F&A costs are recovered at the full published university rates in effect at the time of the award
6. The agreement does not require return of unexpended balances to the sponsor

Before distribution, residual balances will be applied toward deficit balances associated with the same project manager and/or sponsor. If the project manager is no longer with the university, the residual balance will revert to the university's general funds.

Finally, should the residual balance exceed 25% of the total award amount, the project manager must provide a written explanation for the balance to the OSP for review.

Distribution

A surplus residual balance, after the above provisions are met, will be transferred to unrestricted designated funds based on the following:

Residual Balance	Action
Less than \$250	Transfer to the university's general account
From \$250 to \$10,000	Transfer 10% of the originally budgeted direct costs to the project manager's account up to a maximum of \$10,000. Remaining balances > 10% or \$10,000 will be allocated to each respective Executive Vice President's unrestricted designated fund account.

Deficit residual balances (if any) will be covered first by these unrestricted funds under the project manager, department, and/or college, each Executive Vice President's area (in succession, according to funds availability).

Transfer Process

Following the confirmation that all provisions have been met, the transfer of residual balance will occur as follows:

1. The department will submit a request, via email, to the grant accountant to review project status and proceed with the residual balance transfer.
 - a. If residual balance will be transferred to the university's general account, the account detail will be identified by Office of Planning & Analysis.
 - b. If residual balance will be transferred to the project manager's account, the department will provide the account detail.

If the project manager does not have an unrestricted account, the dean's office will determine if a new account should be established or if an existing account within the department or college should be used.
2. The grant accountant will confirm all provisions were met and all reports and payment receipts are on file.
3. If F&A costs are pending to be recovered, the grant accountant will process a journal entry to charge F&A costs.
4. The grant accountant will process the journal entry to transfer the residual balance to the unrestricted account(s).
5. The grant accountant will notify, via email, the department/college, project manager, and Planning & Analysis, that the transfer of residual balance is complete.
6. The grant accountant will proceed with the Restricted Project Close Out process.