

Office of Sponsored Programs
Procedure 30011 Residual Revenue in
Fixed Price Awards



Revision Date: 2/17/21

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1. Introduction

Responsible Officials: Senior Director of Sponsored Programs - Post Award

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IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, are highlighted in red font. Federal and federal flow-through fixed price contracts and subcontracts are awarded under the Federal Acquisition Regulation and fall under those regulations.

2. Scope

This procedure outlines the university’s 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.

3. Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech's research portfolio and is responsible for ensuring that all research 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.

4. Reason for the Procedure

Virginia Tech places high value upon its sponsored research activities and 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.

5. 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. For federal or federal flow-through awards see [2 CFR Part 200.1 and associated sections](#) or the contract's specific [Federal Acquisition Regulation](#) requirements.

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 Virginia Tech. The award document is the agreement processed by the Sponsor and accepted by Virginia Tech 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 PI and comprised of the unobligated, unspent direct budget balances remaining at the close of that PI's fixed price sponsored awards.

6. 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 award's Post Award Associate to request the residual revenue balance associated with the award's direct costs be made available for expenditure by the PI in their residual fund.

In the rare event that the total direct residual revenue is 25% or more of the award, the associate will forward the request to the Assistant Vice President for Sponsored Programs for approval. PIs must provide written justification for the transfer because a significant residual balance may call into question the integrity of accounting for costs related to the award. Written justification is required to adequately explain why the actual costs differ so significantly from the original costs projected at the proposal stage. It is also important to assure that costs appropriate to the fixed price fund(s) have not been incorrectly placed on cost reimbursable, federal or federal pass through fund(s).

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 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.

7. Awards not requiring Sponsor approval

Occasionally small awards with a total direct cost budget of \$10,000 or less do not have a contractual document clarifying whether they are considered fixed price or cost reimbursable awards. For such awards, if the residual revenue is 10% or less of the direct cost budget, the remaining revenue may be transferred to a residual fund without obtaining sponsor approval.

8. Processing of Residual Revenue access requests

Upon receipt of the completed [Residual Request Form](#), the Post Award Associate will prepare a journal entry to move the residual revenue balance for the unspent **direct cost budget**. When a new residual fund is required, the Post Award Associate will leave the credit side blank and give the

form, along with the appropriate documentation, to the associate responsible for residual funds. The residual fund associate will work with the appropriate processor to have a new residual fund established. After the new residual fund is available, the residual fund associate will complete the credit side of the journal entry, send the original to the Controller's Office, and retain a copy for the new residual fund file.

If the residual direct cost revenue balance is to be transferred to an existing residual fund, the originating Post Award Associate will complete the entire journal entry, retain a copy for the project file, send the original to the Controller's Office, and give a copy to the residual fund associate for the residual fund file.

The residual revenue balance for the unexpended **indirect cost budget** will be transferred based on the standard overhead distribution and account codes as outlined in [OSP 30008 Facilities and Administrative Overhead Rate Distribution](#):

- Transfer the department/college share to the appropriate overhead clearing fund (see the list below). Debit the sponsored award for the department share per the standard overhead distribution and account code (OH140, OH160, etc.) and credit revenue in the appropriate clearing fund per the list below using the same account code as the debit.
- Transfer the remaining balance of residual revenue allocated for indirect costs to OSP Residual Reserve fund (324921) as revenue. Debit revenue in the award and credit revenue in fund 324921 using the same revenue account code as used in the award/debit fund.

Overhead Clearing Funds

- 324882 Overhead Clearing – Federal – Instruction
- 324883 Overhead Clearing – Federal – Research
- 324884 Overhead Clearing – Federal – Public Service
- 324888 Overhead Clearing – State – Instruction
- 324889 Overhead Clearing – State – Research
- 324890 Overhead Clearing – State – Public Service
- 324894 Overhead Clearing – Local – Instruction
- 324895 Overhead Clearing – Local – Research
- 324896 Overhead Clearing – Local – Public Service
- 324913 Overhead Clearing – Private – Instruction
- 324915 Overhead Clearing – Private – Research
- 324916 Overhead Clearing – Private – Public Service

9. Failure to prepare and submit a Residual Revenue request

If the [Residual Request Form](#) is not submitted within 120 days of project completion, OSP reserves the right to transfer the residual revenue to the OSP Residual Reserve fund (324921) and close the sponsored fund. If the sponsored fund is more than 90 days past the end date and the residual balance in the fund is \$100.00 or less, OSP reserves the right to move this balance to the OSP Residual Reserve fund (324921). ***OSP will not create a new residual fund for an amount of \$100.00 or less.***

10. References

- [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)
 - [Residual Request Form](#)
 - [Federal Acquisition Regulation](#) requirements
 - [OSP 30008 Facilities and Administrative Overhead Rate Distribution](#)
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11. Contacts

- **Senior Director of Sponsored Programs - Post Award**
Office of Sponsored Programs
North End Center, Suite 4200
300 Turner Street NW
Blacksburg, VA 24061
540.231.9372
 - **Director for Financial Compliance and Integrity**
540.231.0950
 - **Associate Vice President for Research and Innovation, Sponsored Programs**
540.231.5281
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12. Roles and Responsibilities

- **Dean's, Department Head's, Organizational Unit Leaders or other Official:** Approve the release of residual revenue to the PI
 - **Principal Investigators (PIs):** have the primary responsibility of award programmatic and financial activity, timely progress on reports and other deliverables, and assuring compliance with federal regulations and both prime and subrecipient award terms and conditions. The PI certifies that all project deliverables have been completed on the award and explains residual revenue whenever it exceeds 25% of the direct costs on the award.
 - **Department Administrator/Business Support Center (DA):** serve in a support role to the PI's in discharging their award and subaward oversight responsibilities and serve as a liaison to OSP.
 - **Office of Sponsored Programs:** monitors and administers award activity in accordance with university contractual obligations; specific compliance with [2 CFR Part 200](#); associated federal laws, rules and regulations; and university policies and procedures. The Post Award Associate processes approval requests for residual revenue and assures, after approval, the funds are made available to the PI.
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13. Dissemination

This procedure may be posted on a Virginia Tech internet accessible site. Open public dissemination of this procedure is allowable.

14. Approval and Revisions

This procedure was approved by the Director, Office of Sponsored Programs, on July 16, 2001.

Revised for wording and to acknowledge changes in the overhead distribution rates made and approved by the Assistant Vice President for Sponsored Programs Administration, on October 2, 2007.

Revised to reflect current working processes. This revision was approved by the Assistant Vice President for Sponsored Programs Administration, October 16, 2011.

Revised to conform to formatting standards, update titles and procedure title, include [2 CFR Part 200](#) references and other editorial or working process updates. Approved by Assistant Vice President for Sponsored Programs on August 01, 2016.

Revision approved by Associate Vice President for Research and Innovation, Sponsored Programs on 2/17/21. This update is for Uniform Guidance sections numbers.

The official version of this information will only be maintained in an on-line web format.

Any and all printed copies of this material are dated as of the print date.

Please make certain to review the material on-line prior to placing reliance on a dated printed version.
