



## Residual Fund Balances for Fixed Price Awards

Office of Research  
Policy number 3.5.1

*Effective Date: 7/1/2018*

*Last Update: 07/1/2018*

### I. Policy Summary & Purpose

This Policy describes New Jersey Institute of Technology's (NJIT) treatment of unobligated, residual funds remaining in externally-funded sponsored project accounts at the conclusion of a sponsored project. The purpose of this Policy is to ensure the proper allocation and/or distribution of residual funds remaining after all proper accounting and closeout of the sponsored program account are finalized including completion of all grant deliverables. This Policy is to confirm that all residual funds are made available and used in a manner compliant with applicable policies, procedures, best practices and NJIT's contractual obligations. In addition, this Policy indicates the use of residual funds are to be used to advance the research mission of NJIT.

### II. Policy Scope and Applicability

This Policy applies to all Sponsored Projects conducted by NJIT.

### III. Definitions

A. **"NJIT"** means New Jersey Institute of Technology.

B. **"F&A Costs" or "Indirect Costs"** means those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular Sponsored Project, instructional activity or other institutional activity.

C. **"NJIT Award"** means a formal written grant, contract or agreement made between NJIT and a Sponsor to perform a Sponsored Project.

D. **"Principal Investigator"** means NJIT's principal investigator on the Sponsored Project.

E. **"Residual Funds"** means any unobligated, unspent balance remaining at the conclusion of a Fixed Price Sponsored Project from the *total payments* received from a Sponsor, after all associated expenses have been charged to the Sponsored Project and the close-out reconciliation has been completed by the Office of Research (as applicable).

F. **"OR"** means NJIT's Office of Research.

G. **"Sponsor"** means a federal, state or local government agency, foundation, or other private organization that is providing financial support for a Sponsored Project. For purposes of this Policy, Sponsor refers solely to NJIT's direct source of the funding for a Sponsored Project.

H. **"Sponsored Project"** means an externally funded activity conducted at or under the auspices of NJIT that is governed by specific terms and conditions. Separate budgets and accounts are typically

established for Sponsored Projects. Sponsored Projects may include projects funded through grants, contracts, and cooperative agreements for research, training, education, and other NJIT purposes.

#### IV. Policy

A. **General.** NJIT will return to the Sponsor any Residual Funds to the extent required by the applicable NJIT Award.

- i. Grant and Cost Reimbursement Contracts. For most Sponsored Projects funded by federal Sponsors as grants and cooperative agreements and for most federal cost-reimbursement contracts, the Sponsor will de-obligate funds from the NJIT Award. Typically, the Sponsor does not permit NJIT to draw down cash or request reimbursement in excess of valid expenditures, so there are no funds to return. For other Sponsored Projects that are cost-reimbursement contracts but NJIT has received advance cash payments (Prepaid Awards), the Sponsors normally require unspent balances to be returned to them upon completion of the Sponsored Projects and final close-out of the NJIT Award by the Office of Research (OR).
- ii. Fixed-Price Contracts. Certain NJIT Awards, such as fixed price contracts and industry sponsored agreements, however, are negotiated on a fixed price basis. These are sometimes based on milestone events and/or payment schedules. In this case, the Sponsor and the NJIT Award usually will not require NJIT to return Residual Funds at the conclusion of the Sponsored Projects. This Section IV outlines how Residual Funds will be handled if the NJIT Award is on a fixed-price basis or is silent on the disposition of funds following completion of the Sponsored Project. **Please note: that Prepaid awards do not automatically fall under Fixed Price as residual funds may have to be returned to the Sponsor dependent on the grant terms and conditions as indicated in Section IV.A.i.**

B. **Responsible Parties.** Following the completion and close-out of a Sponsored Project and associated NJIT award, within 90 days from grant end, the Senior Vice Provost for Research and the Director and Associate Directors in the OR (or their designees), as applicable, will determine whether this Policy and the terms of a NJIT Award require the return or refund of Residual Funds to the Sponsor as contemplated by Section IV.C below or whether the Residual Funds may be distributed by NJIT as provided in Sections IV.E & IV.F below. Except as otherwise provided in this Policy, decisions by Senior Vice Provost for Research (or his designees) in coordination with the respective Department Chair and College Dean, as applicable, under this Section are final.

For Sponsored Projects and NJIT Awards that do not require the return or refund of Residual Funds as contemplated by Section IV.C. below, the Senior Vice Provost for Research, the Director and Associate Directors in the OR (or their designees) in coordination with the respective College Dean and Department Chair, as applicable, will take into account, where appropriate, any information set forth in a completed Residual Balance Transfer Request Form submitted by the Principal Investigator as provided in Section V below.

C. **Refunds.** Refunds of Residual Funds (if any) will most frequently be required by the terms of NJIT Award. Under certain circumstances, however, NJIT may determine that the retention of Residual Funds might be inconsistent with its best interests, applicable laws and regulations, and/or other applicable policies of NJIT. OR will notify the Principal Investigator of the decision to refund Residual Funds prior to any distribution being made.

D. **Special Review.** All residual fund requests will be reviewed to ensure compliance with NJIT's legal, contractual and policy obligations. NJIT will have additional review for any Residual Funds equal

to or greater than \$40,000 remaining on the NJIT Award after the applicable of any F&A Cost and the F&A Rate recoupment contemplated by Section IV.E. below. The review will be conducted with input of the Senior Vice Provost for Research, the Director and Associate Directors in the OR (or their designees) in coordination with College Dean and Department Chair.

**E. Retained Fund Allocations.** Whenever Residual Funds from a NJIT Award are retained by NJIT, prior to making any distributions, The Office of Research will review the award and proceed as follows:

- i. If the residual fund balance is \$1,000 or less, the residual fund balance will be transferred to the PI in total.

Otherwise, for residual fund balances \$1,001 or greater:

- ii. NJIT will recoup any F&A Cost reduction or waiver previously made for that award and recover any F&A we would have been entitled to prior to the reduction or waiver at the applicable F&A rate during the award period.
  - a) After NJIT has recouped any F&A Cost reduction or waiver, OR will also review any outstanding prior uncollected receivables to confirm the availability of any residual funds. The true remaining residual balance will be determined after this process.
  - b) The federal F&A rate will be applied to this true remaining residual balance and the variance resulting from deducting the calculation of the F&A rate applied to the true remaining residual balance will be the net residual fund balance amount to be transferred as per Section IV.F.

*For example scenario, please see Appendix A.*

- iii. For NJIT awards from foundations that have a standard sponsor F&A rate (non-federal rate), NJIT will apply that rate to the residual balance of the award. The variance resulting from deducting the calculation of the F&A rate applied to the residual balance will be the net residual fund balance amount to be transferred as per Section IV.F.
- iv. If there was no established F&A rate on the original award, NJIT will apply the standard NJIT off campus overhead rate to the remainder of the balance to cover overhead costs. The variance resulting from deducting the calculation of the F&A rate applied to the residual balance will be the net residual fund balance amount to be transferred as per Section IV.F.

**F. Distributions.** The Residual Funds (Direct Cost Value) remaining, after any recoupment and the application of institutional overhead as contemplated by Section IV.E., will be transferred to a residual fund balance account that is managed by Principal Investigator. The Residual Balance Transfer form will determine this amount as per the calculations in Section IV.E., unless otherwise agreed by the Senior Vice Provost for Research, the College Dean, and Department Chair. All funds from the discretionary account are to be used by the Principal Investigator to further NJIT's missions in accordance with all applicable NJIT policies and as indicated by sponsor's agreement, if applicable. NJIT reserves the right to periodically review residual fund accounts that continue to accumulate to permit institutional adjustments if necessary to prevent an unacceptable amount of unspent funds. In addition, any funds not expended within five years from initial transfer, will be returned to the Office of Research.

The Indirect Cost Value will be transferred to the PI's ICR account as per the Indirect Cost Return Policy.

## V. Procedures

### A. NJIT Awards (Fixed Contracts and Prepaids)

- i. Notices. Whenever there are Residual Funds on an NJIT Award, OR will alert the Principal Investigator that it's close-out of the NJIT Award is complete, Residual Funds exist, and the Residual Funds are to be handled in accordance with this Policy.
- ii. Residual Balance Transfer Request Form. In situations that do not require the return or refund of Residual Funds as contemplated by Section IV.C. above, OR will provide a copy of the Residual Balance Transfer request form in the Residual Fund notice for completion prior to the commencement of any transfers. See Section V.C. below. Any recoupment of F&A will have been completed at this point.
- iii. Process Initiation. The processing of Residual Funds from an NJIT Award is initiated through the submission of the Residual Fund Transfer Request form by the Principal Investigator. The form must be completed and approved by the Principal Investigator, College Dean, Department Chair, and Center, if applicable, prior to submission to OR.
- iv. Review. the Senior Vice Provost for Research, the Director and Associate Directors in the OR (or their designees) in coordination with College Dean and Department Chair, will take into account, where appropriate, any information set forth in a completed Residual Balance Transfer Request Form submitted by the Principal Investigator in making the determinations set forth in Section IV.B. above.
- v. Residual funds will be allocated based on the final balances left in each budget category. Budget Transfers will not be allowed during the grant closeout and transfer period. Any rebudgets after these residual fund balances are transfer must follow all applicable college and institutional approval workflows.

**B. Residual Balance Transfer Request Form.** In the Residual Balance Transfer Request Form, the Principal Investigator must provide written justification for any extenuating circumstances that led to the existence of Residual Funds while still meeting the aims of the statement of work and the requirements of the NJIT Award. Additional review may be required as indicated in Section IV. D. In addition, the form will document the Principal Investigator's certification that:

- v. All relevant expenses for consumables and non-personnel services have been charged in accordance with the Sponsored Project budget and the actual needs of the project;
- vi. All release time associated with the externally funded project(s) during the academic year must be fully paid for by the sponsoring agency;
- vii. All relevant salary expenses have been charged in accordance with the budget and actual effort expended;
- viii. Any Residual Funds allocated to the Principal Investigator will be used by the Principal Investigator to further NJIT's research and education missions in accordance with all applicable NJIT policies.
- ix. Residual funds may not be used for the personal expenses or benefit of the PI/PD or any other individual(s).

In addition, if the Principal Investigator's award portfolio includes deficits on other NJIT Awards or overhead return accounts that have residual fund balance, this may require review and discussion for deficit resolution.


## VI. Questions

Any questions relating to this Policy should be directed to the Director, Sponsored Research Programs Administration.

### APPROVAL:

 7/19/18

Atam P. Dhawan  
Senior Vice Provost, Office of Research      Date

 7/19/18

Edward J. Bischof  
Senior Vice President for Finance and CFO      Date

 7/20/18

Fadi P. Deek  
Provost and Senior Executive Vice President      Date

## Appendix A

*Section (IV. E. ii) Example: Fixed-price NJIT Award where NJIT agreed to reduce its applicable F&A Cost rate from 53.5% to 40%:*

*Budget of \$100,000 (Direct Costs \$71,429; Indirect Costs \$28,571)*

*Payment of \$100,000*

*Actual Expenditures of \$70,000 (Direct Costs \$50,000; Indirect Costs \$20,000)*

***Residual Funds \$30,000***

*Before any other allocations of those Residual Funds, NJIT will recoup as follows:  
F&A recoupment is 13.5% (53.5% less 40%) applied to \$50,000 Direct Costs =  
\$6,750*

*The true remaining Residual balance is:*

*Residual Funds \$30,000*

*Less F&A recoupment \$6,750*

***True remaining residual \$23,250***

*Of this true remaining residual, OR will apply the federal F&A rate amount and the variance resulting from deducting the calculation of the F&A rate applied to the true remaining residual balance will be the net residual fund balance amount to be transferred as per Section IV.F.*

***True remaining residual \$23,250***

***Direct Value \$15,147 (Amount to be transferred to the Principal Investigator)***

***Indirect Value \$8,103 (This will be eligible as per Indirect Cost Return Policy)***