I. INTRODUCTION (Purpose and Intent)

This USF System policy outlines the administrative requirements for closing out fixed-price sponsored agreements, including the treatment of residual funds and deficits or cost overruns. Under a fixed-price sponsored award agreement, sponsoring agencies pay a fixed dollar amount for certain agreed-upon deliverables, services, or milestones. If the cost of the project is underestimated, the USF System must pay additional costs for completing the work. If the cost of completing the work is overestimated, residual funds may remain after the project is completed. Both of these scenarios are considered unacceptable business practices and may represent a financial risk to the institution. Thus, fixed-price sponsored award proposals and agreements must be carefully prepared and monitored in order to ensure compliance with accepted business practices and to minimize financial risk to the USF System.

II. DEFINITIONS

**Deficits or Cost Overruns** – Deficits incurred for late submission, unmet, or unacceptable deliverables or costs incurred in excess of the awarded amount.

**Facilities & Administration (F&A) Costs** – “Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity” (OMB Circular A-21, Part 220, B.4. and E.1.). Examples of F&A Costs are building and equipment use and depreciation, certain debt interest, operations and maintenance, and capital improvements, as well as library and administration expenses. The portion of F&A Costs attributable to Administration Costs is capped by federal regulation at 26%, although the actual costs to the USF System have been calculated to be much higher (over 32%). F&A Costs are established
for the USF System by the Division of Cost Allocation, U.S. Department of Health & Human Services.

**Fixed-price Sponsored Award** – A sponsored award where the sponsoring agency pays a fixed dollar amount for certain agreed-upon deliverables, services, or milestones.

**Research Initiative Account (RIA)** – A non-Education & General (E&G) account established to house monies administered by the Office of Research & Innovation. The funds deposited in these accounts may come from such sources as F&A Cost distributions, faculty or program support dollars, internal grant awards, faculty start-up dollars, and fixed-price sponsored award residuals. These funds must be expended in support of research or sponsored training programs, in accordance with Section 1004.22, Florida Statutes (see also Guidelines for Allowable Expenses on Research Initiative Accounts: [http://www.research.usf.edu/files/sr/AllowableExpenses.pdf](http://www.research.usf.edu/files/sr/AllowableExpenses.pdf)).

**Residual Balance** – A positive balance in an account following the closeout of a fixed-price sponsored award. Residual balances are USF System research funds managed by the Office of Research & Innovation and are to be expended in support of research activities per Section 1004.22, Florida Statutes.

**Sponsored Award** – Any grant, contract, or other agreement between the USF System and a sponsoring agency.

### III. STATEMENT OF POLICY

A. All proposals for fixed-price sponsored projects must be processed using USF System policies and procedures for sponsored projects administration.

B. Deficits or cost overruns on fixed-price sponsored award agreements are the responsibility of the principal investigator, the department or center, and the college of the unit to which the project was assigned.

C. In order for the USF System to recover the maximum amount allowed by the federal government for administering a sponsored award and to cover any deficits or cost overruns, the following would apply.

1. **Administration Costs**: If a residual balance exists upon project closeout and the Administration Costs recovered on the project were less than 26%, then the full Administration Costs will be calculated based on the original award, and the residual balance will be charged the amount needed to adjust the total Administration Costs to 26%.

2. **Deficits or Cost Overruns**: Deficits or cost overruns incurred by the principal investigator on other restricted accounts for which he or she is responsible will be charged to the residual balance.
D. After Administration Costs and deficits or cost overruns have been resolved (see Section III.C.), the following transactions will occur.

1. If the residual balance is more than $100, the funds will be transferred to appropriate RIAs using guidelines provided by individual colleges.

2. If the residual balance is $100 or less, the funds will be retained by the Office of Research & Innovation to be expended in support of USF System research priorities, in accordance with Section 1004.22, Florida Statutes.

E. Exceptions to the residual balance distribution formula outlined above will be considered on a case-by-case basis and will require the written approval of the Senior Vice President for Research, Innovation & Economic Development (or designee).

F. After residual funds have been transferred to RIAs, expenditure of those funds must be made in accordance with Allowable Expenses on Research Initiative Accounts, available on the Office of Research & Innovation Web site at: http://www.research.usf.edu/files/sr/AllowableExpenses.pdf

*Current Responsible Office: Research and Innovation

*Refer to the appropriate Responsible Office website for a current name of the Vice President or other Responsible Officer.

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