DEFINITION

A residual balance occurs when revenue is greater than the expenses incurred upon completion of a fixed price sponsored project.

PROCEDURE

When a residual balance occurs, the balance must be transferred off the sponsored project to a fixed price residual (FPR) **local** account. Before transfer, ASU must first recover its portion of facilities and administrative costs. Facilities and administrative costs will be recovered at ASU's full federal rate in effect at the end of the award period, even if a reduced rate was approved for the award. The amount of facilities and administrative costs booked is determined by using the facilities and administrative costs reconciliation spreadsheet. The amount is dependent upon many factors. For that reason, examples are included below showing different scenarios and how they affect the amount to be transferred to the FPR local account.

Residual balances remaining, which are greater or equal to 20% of the total award after all final accounting adjustments, should be reviewed and approved by the AMT AD.

ATTRIBUTES OF FIXED PRICE RESIDUAL BALANCE LOCAL ACCOUNTS

➢ New FPR accounts will be set up by Financial Services in the same way other local accounts are established
➢ Accounts are assigned to individual principal investigators, not by project/grant/unit (so multiple sponsored fixed price residual balances will be combined)
➢ All FPR accounts must be coded as department research
➢ Accounts will be ASC exempt for the life of the account
➢ No other funds may co-mingle with these funds due to ASC exclusion
➢ Funds should be treated like Research Incentive Distributions (RID) – i.e. for expenses that further research.

FULL F&A RATE EXAMPLES:

Methodology - Book facilities and administrative costs up to budget or actual expenses, whichever is greater; any remaining residual is considered the direct cost portion and will be transferred to the local account upon close out of the sponsored project.

Example A

In this example, more facilities and administrative costs were incurred during the life of the award than originally budgeted. Facilities and administrative costs are not reduced to budget. The full amount due is booked. Any remaining residual is considered the direct cost portion and is transferred to the local account.

	Budget	Expenses	Residual	Final Split
TDC	$100,000	$90,000		
Exclusion	$15,000	$0		
MTDC	$85,000	$90,000		
F&A rate	52.5%	52.5%		
F&A	$44,625	$47,250		
TDC	$100,000	$90,000	$7,375	$97,375
F&A	$44,625	$47,250	$0	$47,250
TC	$144,625	$137,250	$7,375	$144,625

Example B

In this example, facilities and administrative costs are increased to budget and the remaining residual is considered the direct cost portion and is transferred to the local account.

	Budget	Expenses	Residual	Final Split
TDC	$100,000	$90,000		
Exclusion	$15,000	$25,000		
MTDC	$85,000	$65,000		
F&A rate	52.50%	52.50%		
F&A	$44,625	$34,125		
TDC	$100,000	$90,000	$10,000	$100,000
F&A	$44,625	$34,125	$10,500	$44,625
TC	$144,625	$124,125	$20,500	$144,625

Example C

In this example, not enough residual remains to increase facilities and administrative costs to budget, in which case, the full residual goes to facilities and administrative costs.

	Budget	Expenses	Residual	Final Split
TDC	$19,709	$22,751		
Exclusion	$0	$9,926		
MTDC	$19,709	$12,825		
F&A rate	52.5%	52.5%		
F&A	$10,347	$6,733		
TDC	$19,709	$22,751	$0	$22,751
F&A	$10,347	$6,733	$572	$7,305
TC	$30,056	$29,484	$572	$30,056

REDUCED RATE F&A EXAMPLES:

Any award with a facilities and administrative costs rate less than the fully negotiated rate, including awards with an approved sponsor-limited facilities and administrative costs rate or awards that received an F&A waiver, **must** have the residual calculated using the reduced rate methodology.

Methodology - Book facilities and administrative costs up to the full facilities and administrative costs rate in effect at project end. Any remaining residual is split between direct cost and facilities and administrative cost. The direct cost portion goes to the local account.

Projects with reduced F&A rates are often calculated based on Total Direct Costs (TDC) rather than Modified Total Direct Costs (MTDC). To determine the fixed price residual once the project ends, be sure to fill in the exclusions field so that the formulas calculate properly. This is because booking actual F&As incurred are booked to the full rate (all full rates are on an MTDC basis).

Example A

In this reduced rate TDC example, the awarded & budgeted F&A is on a Total Direct Costs basis. During the life of the award, the exclusions field on the F&A reconciliation worksheet should not be populated since F&A charged is being reconciled to the award (TDC basis). When calculating the residual at award end, the exclusions field needs to be filled in (since ASU's full rate is on MTDC basis). The full residual goes to help recoup the actual amount of facilities and administrative cost incurred from this project based on full facilities and administrative costs rate.

	Budget	Expenses	Expenses w/ Exclusions and Full Rate	Residual	Final Split
TDC	$100,000	$90,000	$90,000		
Exclusion	$0	$0	$5,000		
MTDC	$100,000	$90,000	$85,000		
F&A rate	10.0%	10.0%	52.5%		
F&A	$10,000	$9,000	$44,625		
TDC	$100,000	$90,000	$90,000	$0	$90,000
F&A	$10,000	$9,000	$44,625	$11,000	$20,000
TC	$110,000	$99,000	$134,625	$11,000	$110,000

Example B

In this reduced rate MTDC example, the full residual goes to help recoup the actual amount of facilities and administrative costs incurred from this project based on full facilities and administrative costs rate.

	Budget	Expenses	Expenses Full Rate	Residual	Final Split
TDC	$100,000	$90,000	$90,000	Use full F&A rate to split out residual	
Exclusion	$15,000	$5,000	$5,000		
MTDC	$85,000	$85,000	$85,000		
F&A rate	10.0%	10.0%	52.5%		
F&A	$8,500	$8,500	$44,625		
TDC	$100,000	$90,000	$90,000	$0	$90,000
F&A	$8,500	$8,500	$44,625	$10,000	$18,500
TC	$108,500	$98,500	$134,625	$10,000	$108,500

Example C

In this reduced rate MTDC example, the residual first goes to recoup full rate facilities and administrative costs. The remaining residual is then split between the direct cost & facilities and administrative cost portions.

	Budget	Expenses	Expenses Full Rate	Residual	Final Split		
TDC	$100,000	$70,000	$70,000	Use full F&A rate to split out residual			
Exclusion	$15,000	$25,000	$25,000				
MTDC	$85,000	$45,000	$45,000			Total Revenue Received	$108,500
F&A rate	10.00%	10.00%	52.50%			Total Costs, with full F&A rate	($93,625)
F&A	$8,500	$4,500	$23,625			Additional Residual after F&A is recouped	$14,875
TDC	$100,000	$70,000	$70,000	$9,754	$79,754	DC Portion of Additional Residual	$9,754
ASC@8.5%						F&A Portion of Additional Residual	$5,121
F&A	$8,500	$4,500	$23,625	$24,246	$28,746		$14,875
TC	$108,500	$74,500	$93,625	$34,000	$108,500		