I. INTRODUCTION

This USF 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, USF 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 demonstrate a failure to adhere to cost principles, and are considered unacceptable business practices that represent a financial risk to the University. Thus, fixed-price sponsored award proposals and agreements must be prepared and monitored carefully to ensure compliance with accepted business practices and to minimize financial risk to University.

II. DEFINITIONS

Allocable Cost - A cost chargeable or assignable to the award or cost objective in accordance with relative benefits received. See Uniform Guidance (2 CFR § 200.405)

Allowable Cost - Necessary and reasonable for the performance of the award. See Uniform Guidance (2 CFR § 200.403)

Cost Principles – The collective principles used in determining the allowable cost of work performed by the University; the principles used by the University as a guide in the pricing of fixed-price contracts and sub-contracts where cost estimates are used in determining the appropriate price. See Uniform Guidance (2 CFR Part 200, Subpart E – Cost Principles)

Deficits or Cost Overruns – Deficits incurred for late submission, unmet, or unacceptable deliverables or costs incurred in excess of the awarded amount.
**Education and General (E&G)** – State appropriated General Revenue, Educational Enhancement (Lottery) funding, and Student Tuition and Matriculation payments. Incremental funding is provided by the following primary mechanisms: Performance-based funding, tuition increases, and special legislative appropriations. State appropriated funding is no longer based on enrollments. E&G funds are used for general instruction, research, public service, plant operations and maintenance, student services, libraries, administrative support, and other enrollment related and stand-alone operations of the university.

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

**Indirect (F&A) Costs** – “Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.” (Uniform Guidance – 2 CFR Part 200, Appendix IV). 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 University have been calculated to be much higher (over 32%). F&A Costs are established for the University by the Division of Cost Allocation, U.S. Department of Health & Human Services.

**Reasonable Cost** – A cost that does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. See Uniform Guidance (2 CFR § 200.404)

**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.

**Residual Balance** – A positive balance in an account following the closeout of a fixed-price sponsored award when subtracting total payments received from total expenses incurred.

**Sponsored Award** – Any grant, contract, or other agreement between USF and a sponsoring agency.
III. STATEMENT OF POLICY

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

B. Awards must demonstrate adherence to cost principles, and be compliant with Uniform Guidance, Florida Statutes, USF Policies and Procedures, the Terms and Conditions of the Award, and as well as adhere to best practices for award management. Funding from awards determined by Sponsored Research to be non-compliant in any of the above may be returned to the sponsor.

C. 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.

D. In order for USF 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 apply.

1. Administration Costs: If a residual balance exists at project closeout and the Administration Costs recovered on the project are less than 26%, then the full Administration Costs will be calculated based on the original award; further the residual balance will be charged the amount needed to adjust the total Administration Costs to 26% of the total amount recovered from the sponsor.

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.

E. If the award demonstrated proper stewardship of sponsor funding, and is compliant as defined in Section III. B, upon resolution of Administration Costs and deficits or cost overruns (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 RIA(s) using guidelines provided by individual colleges. If no guidance is provided by the individual college within 5 business days of Sponsored Research’s request, the residual balance will be transferred to the PI’s RIA.

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 research priorities, in accordance with Section 1004.22, Florida Statutes.
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: Sponsored Research*

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

*History: New 11-2-09, 4-13-21 (technical).*

*Consolidation Amendments Effective: 7-1-20.*