

**CHILDREN'S MEMORIAL RESEARCH CENTER (CMRC)**  
**Disposition of Unexpended Balances in Grants and Contracts**  
**Effective April 1, 2007**

**I. Introduction**

This policy concerns the disposition of unexpended balances on research contracts and grants and applies to fixed price and fixed rate contracts, and nonrefundable grants that do not include a designation from the sponsor as to the use of any unexpended balance of funds. Most research and training grants do not fall into this category.

Sixty (60) days after expiration of a fixed price contract, fixed rate contract or nonrefundable grant, any unexpended balance will be transferred to a central fund established for this purpose.

Fixed price accounts are established when a contract or agreement carries with it terms that provide a fixed or firm price in exchange for a specific scope of work or designated services. Under a fixed price contract or agreement, it is expected that the scope of work will be met by the Children's Memorial Principal Investigator (PI) for the fixed price amount defined in the contract or agreement. If costs to do the work exceed the fixed price, such become the responsibility of the PI. It should be noted that some fixed price contracts or agreements do include clauses allowing for adjustment of pricing throughout the contract period. Similarly, if costs to do the work do not fully expend the funds designed in the fixed price agreement or contract, the funds remaining are then available to the PI for future research related work. Note that in the later case, remaining funds are released for future related research work only upon confirmation that the work on the project has been fully completed, deliverables have been provided, and the sponsor/agency has acknowledged acceptance of the above.

## **II. Responsibilities**

The Office of Sponsored Programs (OSP) will refer to this policy on the award letter sent to the PI when fixed price contracts, fixed rate contracts or nonrefundable grant awards are accepted by Children's Memorial Hospital and the PI. At that point, it will be indicated that any unobligated balances remaining at the expiration of the award will be subject to this policy.

When submitting a proposal under a fixed price option, it is expected that the PI will develop a reasonable and logical detailed budget. Once funded, it is expected that all costs directly associated with performing the work will be charged directly against the fixed price account. It is critical for the PI to ensure that proper expenses and effort be charged directly to these projects. With proper proposal development and accurate application of expenditure, it should be unusual for funds to remain at the end of a project, and even more unusual for such remaining funds to be significant. If unspent funds remain, a PI should clearly be able to explain why the project cost less than projected.

Fixed price contracts or agreements are established with designated begin and end dates. When an end date has been reached and full payment has been received from the sponsor/agency, documentation is required from the PI that the project has been fully completed, all deliverables have been provided, and the sponsor/agency has acknowledged acceptance. If interim and final reports are required at any time during performance of the project, copies of such are also to be provided to Children's Memorial Hospital, Office of Sponsored Programs.

## **III. Procedure**

Sixty (60) days after the expiration of fixed price and fixed rate contracts and nonrefundable grant awards, the Office of Sponsored Programs and Fund Accounting will ask the PI to fill out the request to close a fixed price agreement form and transfer the balance to a discretionary fund. The PI should respond to this request within 10 business days. The PI will be expected to confirm the unexpended balance and state that that all expenses and revenue have been charged to the project fund before unexpended balances can be released. Should the remaining funds constitute an amount equal to the lesser of than 25% of the total award or \$10,000, the written confirmation should include an explanation as to why a significant unexpended balance remains. An explanation in the later case is required to assure that accurate application of expenditures and proper financial management procedures have been utilized throughout the project. If the amount remaining is minimal in regard to the full project amount, no explanation is required from the PI.

Should the remaining funds constitute an amount equal to the lesser of than 25% of the total award or 10,000, Fund Accounting will allocate the available balance to direct and indirect costs based on the applicable indirect cost rate in effect for the award. Should the remaining balance exceed these levels, Fund Accounting will apply the full federally approved indirect cost rate and allocate the available balance to direct and indirect costs.

The resulting indirect costs will be transferred to the Children's indirect cost recovery fund. The remaining available direct cost balance will be transferred to a fund established for this purpose. Monies moved into this fund will be available for use by the PI

If you have questions regarding fixed price contracts, agreements, or accounts, please do not hesitate to contact the Office of Sponsored Programs (OSP) or Fund Accounting.