

Excess Cash Procedure

Refunds & Residuals on Sponsored Awards

Approved by: Matthew Meyer, Associate Vice Provost for Research and Director of ORSP

Overview

At the end of a sponsored award, sponsor payments may exceed total invoiced expenses and create an excess cash balance. While cost proposals should be estimated on a cost basis consistent with UMass Boston grant budgeting procedures, this cash may accrue due to efficiencies in the work performance, lower cost of necessary supplies or services, or for other reasons that occur during the final reconciliation when the award terminates. For proper close-out of these awards, excess cash must be distributed as appropriate. Cost based awards frequently require excess funds to be returned. For fixed price or flat fee awards, the University may retain residual cash balances at the completion of the work and submission of all deliverables.

Purpose

This policy defines the appropriate processing of excess cash received on sponsored awards after the termination/end of the award.

Scope

This policy applies to all externally funded awards that are established and managed through the Office of Research and Sponsored Programs.

Definitions

- **Cost Reimbursement Award:** An externally funded award that is reimbursed by the sponsor based on invoices of actual costs incurred. In some cases, payments are made in advance of work performance but are reconciled to actual posted expenses at the end of the award.
- **Fixed Price Award:** An externally funded award whose payments are predetermined as a lump sum or scheduled payment commonly based on negotiated fixed unit prices for specific services or a percentage of work completion.
- **Time & Material Award:** An externally funded award that is reimbursed by the sponsor based on invoices of actual posted non-payroll expenses and predetermined payroll hourly rates times actual posted labor hours.
- **Excess Cash Balance:** Funds remaining on a sponsored award after the termination of the award. An excess cash balance occurs when payments received exceed the total expenses of an award.
- **Residual:** An excess cash balance that ORSP has determined to be allowed to be retained per the award terms.
- **Refund:** An excess cash balance that ORSP has determined to be returned to the sponsor per the award terms or sponsor instruction.

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Procedure

When a sponsored award reaches its end date, work is fulfilled, and all deliverables and collections are completed, the financial balances (Cash received less award expenses) on the award are identified as either a deficit (see Deficits Procedure) or excess cash status during the closeout process. Excess cash must then be determined to be either a refund to the sponsor or a residual to be retained by the institution. The treatment of this cash will depend on the type of award.

- Federal Cost Reimbursement:
 - Refund, unless the federal agency provides written approval to retain
- Non-Federal Cost Reimbursement:
 - Refund if specifically instructed by the sponsor, or balance exceeds the current refund threshold of \$500.00
- Fixed Price, Fee for Service, Flat Fee:
 - Residual
- Time & Material, Loaded Labor, Cost Plus Fee:
 - Process the balance attributed to the increased billing rate as a residual. Additional cash balance left after this calculation will be designated per the cost reimbursement categories above.

Once the appropriate treatment of excess cash is determined, ORSP will process a journal entry or disbursement voucher to clear the excess cash balance within 120 days of the award end date.

Refund Processing:

To initiate the refund balance disbursement, ORSP must complete the Refund Balance Request form (top section) and submit the form to the PI for confirmation. If the award is a Federal Letter of Credit, and the excess cash balance was already refunded in the normal course of LOC processing, the form is not required.

By way of the form, the PI is confirming:

- All work on the award was completed
- All sponsor requirements have been satisfactorily met
- All appropriate expenses have been recorded on the award

Once the form is reviewed and approved by ORSP, the form and disbursement voucher will be submitted to the Controller's Office for processing.

Residual Processing:

To initiate the residual balance transfer, ORSP must complete the Residual Balance Transfer form (top section) and submit the form to the PI for confirmation and balance explanation (if needed).

By way of the form, the PI is confirming:

- All work on the award was completed
- All sponsor requirements have been satisfactorily met
- All appropriate expenses have been recorded on the award

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The Principal Investigator will be required to provide a written statement explaining any significant underspending of the approved award budget.

All externally funded awards assigned to the Principal Investigator must be in good financial standing prior to the allocation of any residual. Residuals will be held until all deficits, collection concerns, or other write-off risk items are resolved. When a residual is allocated, it shall be allocated to the Research Trust Fund (RTF) account of the department assigned to the project as represented by the department ID on the speedtype in PeopleSoft Finance. Should an award include multiple projects assigned to different departments, ORSP shall make their best effort to allocate proportionally as percent of total budget, unless award documentation supports otherwise. Should any of these projects be in deficit, budget will be reallocated to resolve as able prior to any residual allocation calculation.

The Vice Provost for Research makes no policy regarding the allocation of residual to individual Principal Investigator RTF accounts. Any residual split between department RTF and PI RTF shall be at the discretion of the department chair or college dean.

ORSP will use the Residual Calculation Tool to determine any F&A under/over recovery and appropriate allocation.

Awards Ended FY23 & Later

Full NICRA rate awards

The University will retain any residual balance up to the budgeted F&A less any posted F&A expense. Any remainder of the unexpended balance will then be distributed to the assigned department Research Trust Fund account.

Reduced F&A rate awards (includes preapproved reductions)

If an F&A waiver or reduction was approved for the award, the University will seek to reduce the under-recovery to the greatest extent possible. The FRA will recalculate the F&A in the award budget at the full NICRA rate, subtract the F&A expense posted, and reduce the residual to be allocated to the assigned department by this difference. The recalculation will use the full F&A rate applicable to the award type/program code & location (on/off campus) as of the start date of the award per the approved F&A rate agreement (NICRA) for that period, and the Modified Total Direct Cost (MTDC) F&A base. The direct costs used as the base for this calculation will be the direct costs as awarded and spent, not adjusted for what the project may have spent otherwise at full NICRA rate, i.e. hypothetical spending to fit the overall budget.

Example: An award is received in February 2024 that allowed for full F&A rate for on campus research of 52.5%. The calculation for the F&A recovery and subsequent residual balance transfer is below.

Residual Calculation	
Total Revenue (Cash Received)	\$50,000
Sponsored Award Expenses	(\$47,000)
Residual Balance	\$3,000
Posted F&A Expense	\$16,180
Residual Offset (Budget less Exp)	\$1,033
Residual Balance Transfer to Department	\$1,967

Award Budget	
Regular Salary	\$20,000
Fringe Benefits	\$8,796
Operational Costs	\$2,000
Supplies & Materials	\$1,991
F&A (MTDC 52.5%)	\$17,213

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Example: An Instruction award is received in March 2024 that allowed for 10% TDC F&A rate based on a sponsor F&A limit. The award location is on campus. The University will recalculate the award budget at the standard 2016 instruction rate of 46%. The calculation for the F&A recovery and subsequent residual balance transfer is below.

Residual Calculation		Award Budget	
Total Revenue (Cash Received)	\$50,000	Regular Salary	\$20,000
Sponsored Project Expenses	(\$47,000)	Special Salary	\$10,500
Residual Balance	\$3,000	Fringe Benefits	\$8,826
Recalculated F&A (MTDC 46%)	\$20,909	Operational Costs	\$2,000
Residual Offset (Recalc less Budget)	\$16,364	Supplies & Materials	\$4,129
Residual Balance Transfer to Department	\$0	F&A (TDC 10%)	\$4,545

Awards Ended FY22 & Prior

The University will calculate residual based on the excess cash in hand and the assigned F&A rate, regardless of NICRA or location. The direct cost portion will go to the department RTF, the F&A portion will remain with VPR.

$$\text{Direct Cost Portion} = \text{Excess Cash} / (1 + \text{F\&A Rate})$$

$$\text{F\&A Portion} = \text{Excess Cash} - \text{Direct Cost Portion}$$

Example: An Instruction award ended January 2021. The award allowed for 15% TDC F&A rate based on a sponsor F&A limit. The award location is on campus. The calculation for the F&A recovery and subsequent residual balance transfer is below.

Residual Calculation	
Total Revenue (Cash Received)	\$20,000
Sponsored Project Expenses	(\$16,000)
Residual Balance	\$4,000
Residual Offset (Indirect Portion)	\$522
Residual Balance Transfer to Department (Direct Portion)	\$3,478