



## Harvard T.H Chan School of Public Health Research Administration

### Process: Fixed Price Residual Balances

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#### Background

Fixed price sponsored awards are awards in which an agreed upon, set price is determined for the project to be accomplished, as opposed to reimbursing actual costs. If the cost of the project exceeds the awarded amount, the school absorbs the additional costs required to perform the work. If the project is performed at a cost below the awarded amount, the residual cash balance (income) must be treated in accordance with the terms and conditions of the award and/or the sponsor's written policies. If the award and sponsor are silent on this issue and/or allow for residual balances to be retained by the school, then the funds can be transferred to a school account.

As a non-profit institution, the University's mission is not to seek profit from its research activities; therefore, significant residual balances on fixed price sponsored awards may call into question the validity of the proposed budget and potentially affect the University's tax-exempt status. Therefore, Principal Investigators (PIs) and administrators must prepare accurate, detailed proposal budgets, and include costs necessary for the work to be performed.

This process supplements the University's [Guidance on Fixed Price Residual Balances](#).

#### Guidance specific to the Harvard Chan School

The Harvard Chan School has created a specific account string to which residual balances must be transferred: **275.org.008001.566796.0000.PI root (Fixed Price Residuals^ASUPP)**. This string is not subject to the monthly 20% administrative fee. F&A will only be assessed once - when OSP processes the [Fixed Price Award Residual Balance Form](#).

Interest earned should be transferred to **275.org.000002.566800.0000.PI root (Research & Teaching u/d SPH Faculty^ASUPP)**.

**Note:** Although the fixed price residual balance is being transferred to another account, do NOT process a GMAS Revision to de-obligate the funds.

## Process Steps – Award Closeout

Step	Role	Task/Activity
1	PI/GM	Ensure all income has been received, all expenses related to the project are posted to the account and effort charged to the project is in line with the work performed to determine a final figure and cash balance.
2	GM	Contact your SPA SRA to confirm the sponsor's terms regarding residual balances if any income remains unspent.
3	GM	Depending on the amount of the cash balance, follow the applicable section: <ul style="list-style-type: none"><li>• <a href="#">\$249 or less, or interest-only transfers</a></li><li>• <a href="#">\$250 or greater, up to \$9,999</a></li><li>• <a href="#">\$10,000 or greater</a></li></ul>

### Balances \$249 or less, or interest-only transfers

Step	Role	Task/Activity
4	GM/PI	Identify the non-sponsored account(s) receiving the funds. Use of the 008001.566796 account is not required.
5	GM	Notify the OSP Financial Analyst of the account string(s). <b>A form is not needed.</b>
6	OSP	Financial Analyst journals the funds from the sponsored account to the specified non-sponsored account(s).

### Balances of \$250 or greater, up to \$9,999

Step	Role	Task/Activity
4	GM/PI	Discuss the account strings being used: 008001.566796 for the residual balance, and 000002.566800 for any interest balance.
5	GM	Download and complete the <a href="#">Fixed Price Award Residual Balance Form</a> . Follow <a href="#">Harvard Chan School instructions</a> below. <b>Balance justification and PI signature are not needed.</b> Send form to ADF.
6	ADF	Sign completed form. Email to School Official (SO) Kris Lister at <a href="mailto:klister@hsph.harvard.edu">klister@hsph.harvard.edu</a> . In the email, identify the GM and OSP Financial Analyst working on the closeout.

7	SO	Sign completed form. Email to OSP Financial Analyst, copying GM & ADF.
8	OSP	Financial Analyst journals the funds from the sponsored account to the specified non-sponsored account.

#### Process Steps – Balances of \$10,000 or greater

Step	Role	Task/Activity
4	GM/PI	Discuss the account strings being used: 008001.566796 for the residual balance, and 000002.566800 for any interest balance.
5	GM	Download and complete the <a href="#">Fixed Price Award Residual Balance Form</a> . Follow <a href="#">Harvard Chan School instructions</a> below. <b>Balance justification and PI signature are required.</b> Email form to PI.
6	PI	Complete balance justification field and sign form. Email to GM & ADF.
7	ADF	Sign completed form. Email to School Official (SO) Kris Lister at <a href="mailto:klister@hsph.harvard.edu">klister@hsph.harvard.edu</a> . In the email, identify the GM and OSP Financial Analyst working on the closeout.
8	SO	Sign completed form. Email to OSP Financial Analyst, copying GM & ADF.
9	OSP	Signs completed form. Financial Analyst journals the funds from the sponsored account to the specified non-sponsored account.

### Completing the Fixed Price Award Residual Balance Transfer Form

Instructions specific to the Harvard Chan School are identified in **bold red text**.

#### Financial Information

The financial information associated with items A-D is available on the GMAS Accounts page. If there is more than one subactivity for an award, a listing of all subactivities can be downloaded to Excel from the GMAS Accounts page via the “Download” link.

- A. Award Amount – The obligated amount of the award, which is listed as the “Funds Allocated”.
- B. Sponsor Payments – Cumulative sponsor income listed as “Income” (exclude interest income).
- C. Interest (if applicable) – Accrued interest income, listed as “interest” and listed in the same line as the income on the GMAS Accounts page. *Note: If only interest is being*

*transferred, no form is required and contact OSP.*

- D. Cumulative Expenses – The amount used for closeout and listed as “Final Figure”, and when required, the amount reported to the sponsor.
- E. Residual Balance – Net of sponsor income and expenditures (B + D). Does not include interest in calculation. This field is automatically calculated.
- F. Percent Balance – The percentage of funds remaining on the award (E / A). This field is automatically calculated.

#### Calculating the Direct and Indirect Balances (and Interest, if applicable):

- **Use the latest F&A rate applied to the grant to calculate the IDC Amount to be entered on the form. If the F&A rate was 0%, use 20% instead.**
- DC Amount – To calculate the DC portion of the balance, divide the Residual Balance (E) by “1 + IDC Rate” (E / 1.XXX). Example: If the IDC Rate is 69%, divide the residual balance by 1.69.
- IDC Amount – To calculate the IDC portion of the residual balance, take the Residual Balance (E) and subtract the Direct Cost residual balance (E – DC Balance).
- Interest – The total interest listed as item C. Interest must be excluded from the DC and IDC Amounts and listed separately.

#### Transfer Coding

Residual balances must be split between Direct and Indirect Costs and transferred to an unrestricted account. Any interest that can be retained will be transferred to the specified DC account string unless an alternate account for interest is listed. OSP Research Finance will journal the direct residual balance, indirect residual balance, interest income via three separate journal lines.

- **Direct Cost – This must be coded to 275.org.008001.566796.0000.PI root.** OSP will use a Non-Operating Transfer object code in the 93XX range for this journal.
- **Indirect Cost – This must be coded to 275.23210.000001.556301.0000.00000.** OSP will use a Non-Operating Transfer object code in the 93XX range for this journal.
- **Interest – This must be coded to 275.org.000002.566800.0000.PI root.** OSP will use object code 4531 to transfer the interest.

#### Balance Justification Field and Additional Split Coding

PI must provide a detailed explanation for balances of \$10,000 or more. This field can also be used to provide additional instructions for splitting the direct cost balance across multiple account strings by specifying the amounts and account strings. If additional space is needed, please attach additional pages.

#### Approvals

- PI signature is required if balance is \$10,000 or more.
- Local Unit/Department (LUD) signs under the Local Unit/Finance Manager section and submits to School Official.
- School Official reviews the form for accuracy, completeness, and adherence to school process. School Official signs and submits to OSP Financial Analyst (OSP FA) and copies the LUD.
- OSP FA reviews form to ensure all fields are filled out correctly
  - If the balance is less than \$10,000, the OSP FA processes the journal (no OSP signature required).
  - If the balance is \$10,000 or more, the OSP FA submits the form for review to an OSP Research Finance Manager, Associate Director, or Director for signature.

## Revision History

- **1/18/24:** Corrected a typo in the activity value of Step 4, Balances \$249 or less, or interest only transfers from 556796 to 566796.
- **6/1/23:** Non-sponsored account strings revised for residual and R&T accounts. Updated with new strings. Clarified PI step in Process Steps for over \$10K balances.
- **1/4/22:** Added a note to clarify that, *although the fixed price residual balance is being transferred to another account, do NOT process a GMAS Revision to de-obligate the funds.*
- **11/29/21:** Major revisions to university process and form; aligned Harvard Chan process with university instructions. New thresholds and new form. Clarified that fixed price award should NOT be de-obligated after residual balance is transferred.
- **10/1/19:** Changed process to route balances less than 25% directly to OSP rather than going through school approver (step 4).
- **3/25/19:** Process published.