I. PURPOSE
To provide information and guidance regarding end-of-project fiscal reconciliation of budgets for sponsored projects awarded to Villanova University through the Office of Research Administration (ORA).

II. SCOPE
This policy applies to all externally funded sponsored research projects initially submitted through the ORA and subsequently awarded to Villanova University through the ORA, regardless of whether the sponsor is a federal, state, local, corporate, non-profit, or foreign entity, and regardless of the primary purpose of the sponsored project.

Throughout the duration of a sponsored research project, the Principal Investigator is responsible for understanding and managing the project budget as planned and awarded to ensure that expenditures are appropriate and allowable within the terms of the particular award and within federal (Uniform Administrative Requirements), state, and/or sponsor-specific costing guidelines.

Villanova University has a responsibility to ensure that all sponsored projects (grants, contracts, cooperative agreements, processed through the ORA) are officially closed out in a timely and accurate manner.

III. DEFINITIONS
Project end date – The sponsor-specified date by which all project activities must be completed and beyond which no expenditures can be incurred.
Deficit – the amount by which expenditures exceed a sponsored project’s approved and authorized budget.
Residual Balance - A residual balance is the legally unobligated balance of funds remaining in a sponsored projects index at the completion of the project, calculated as the amount by which expenditures are less than a sponsored project’s approved and authorized budget.
No-cost extension – sponsor-approved additional time, beyond the initially specified end date of the project, to complete the project, typically without a change in awarded funding.
Unrestricted index – A University index holding non-designated funds such as the Department or College share of research indirect costs, gift indices, and/or entrepreneurial program revenues or an index established for the return of indirect costs to a Principal Investigator.
Residual balance special purpose index – An index established to hold funds from residual balances.
IV. POLICY STATEMENT
Budgets for all sponsored projects will be properly and accurately reconciled in a timely manner as a part of project closeout. For federally supported projects, indices must be closed and reports submitted to the federal sponsoring agency within 90 days of the project end date specified in the funding agreement. Research indices created for non-federally funded sponsored research also will be closed within 90 days of the project end date specified in the funding agreement.

*No charges to sponsored project indices will be allowed after the project end date.* As a part of the closeout process, an index associated with the sponsored project must be balanced – expenditures must be equal to the approved budget. Either budget deficits or budget surpluses will be reconciled prior to final closeout of a project.

V. PROCEDURE

**Research Project Budget Deficit Resolution** - If at the project end date a sponsored project budget is in deficit, i.e. if the expenditures against the project index exceed the funds available in the index, the ORA will notify the Principal Investigator of the deficit situation and of the need for the Principal Investigator to identify funds to clear the budget deficit. Acceptable ways to clear a deficited index include:

1. Transfer of funds from a Principal Investigator’s 4-index, which may hold non-designated funds that have been returned to the Principal Investigator from research indirect costs and/or other means such as entrepreneurial program revenues.

2. Transfer of funds from a Department or College index holding non-designated funds such as the Department or College share of research indirect costs, gift indices, and/or entrepreneurial program revenues.

In general, deficited indices may not be cleared by transferring funds from Departmental/Center/College operating budget indices.

Transferring funds from one federally-funded research index to another to clear a deficited index is in almost all cases neither acceptable nor allowable under Federal costing principles (Uniform Administrative Requirements).

The ORA will work with the Principal Investigator, Department, and/or College to resolve sponsored project budget deficits in a timely manner. If resolution of a deficited index is not resolved within 30 days of the Principal Investigator receiving notification of the deficit situation from the ORA, the case will be referred to the Associate Vice Provost for Research for resolution.

**Residual Balance Resolution** - In some instances, at the end date of a sponsored project the budget may have a residual balance. Given the Principal Investigator’s responsibility for managing the project budget as planned and awarded, surpluses at the end of a project should be rare. Possible actions regarding anticipated or final budget surpluses include:
1. Retention of Funds by Requesting a No-cost Extension – If a budget surplus is anticipated by the project end date because of insufficient time complete the project, sponsors may provide a mechanism to request a no-cost extension to continue the work beyond the originally agreed upon project end date without any change in awarded funding. Guidelines and processes for no-cost extension requests differ among sponsors. Principal Investigators anticipating a budget surplus at a project end date are responsible for understanding the sponsor-specific guidelines and deadlines for requesting no-cost extensions. Unless otherwise indicated by a sponsor, no-cost extension requests must be submitted by the ORA.

2. Return of Unspent Funds to the Sponsor – Sponsored project award documentation may specifically stipulate that any funds not spent by the end of the project period must be returned to the sponsor. In such cases, the ORA will be responsible for returning unspent funds to the sponsor after the project has been formally closed out.

3. Transfer of Funds to a Residual Balance Special Purpose Index - In some instances, the sponsored project award documentation may not specifically stipulate the fate of residual balances. Residual balances on fixed price contracts and industry funded agreements may be transferred to an unrestricted residual special purpose index upon the financial closeout of the sponsored project index. The residual funds are then no longer restricted by the terms of the original contract and may be used to further Villanova’s education and research missions.

Contractual arrangements that allow for use of a residual balance, as opposed to the return of that balance to the sponsor, will be identified by the ORA) whose decision shall be final.

Upon study completion, ORA will initiate the financial closeout of the sponsored project. The following criteria must be met prior to any disposition of a residual balance:

- The statement of work has been completed
- All direct charges and project revenue have been properly indexed for
- All deliverables and reports have been completed and provided to the sponsor per the terms of the contract
- Sponsor satisfaction has been documented
- The ORA has confirmed that Villanova may retain the residual balance in accordance with the contract terms
- Significant residual balances will be reviewed and the reasons for the balance will be documented. Balances are considered to be “significant” if they exceed 25% of the final cash in the index or if they exceed $100,000. Indices with a significant residual balance will require clear and sufficient documentation of the reason for the difference between approved budget and incurred expenses.

How Residual Balances are Determined

Once a sponsored project index has met the criteria for financial closeout, the remaining balance will be adjusted to recoup all cost shared expenses, including under-recovered
Facilities and Administrative (F&A) costs. F&A costs will be recovered at the published rates in effect at the time the agreement was executed.

ORA will calculate the applicable direct and F&A portion of the remaining cash balance and will initiate the transfer of the direct balance to a residual special purpose index. A final F&A adjustment will be made to the index for the F&A portion of the residual balance.

**Use of Residual Balance Special Purpose Indices**

Residual Balance Special Purpose indices must meet the following guidelines:

- Residual funds are Villanova institutional funds. The residual special purpose indices are to be used solely for the receipt of residual balances from completed sponsored projects.
- Funds may be expended for education and research purposes, including cost sharing commitments, deficits and other cost transfers from active sponsored programs indices, so long as the expenses are for Villanova business, and meet Villanova’s expense policies.
- Funds may be designated for the use of a particular investigator. These institutional funds may not be transferred to another institution should the investigator leave Villanova.
- Funds are subject to all other Villanova policies.
- Indices may not be run in deficit.
- Funds must be fully expended within three fiscal years of transfer; balances remaining after three years will be transferred to the general operating index of the PI’s home department.
- AND/OR-
- Balances in Residual Balance Special Purpose indices that have not had additions or expenses in any twelve month interval will be transferred to the general operating index of the PI’s home department.

**VI. RELATED INFORMATION/FORMS**

**VII. HISTORY**

**VIII. RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT**

Office of the Provost

**IX. RESPONSIBLE ADMINISTRATIVE OVERSIGHT**

Administrative Oversight Office:
Office of Research Administration
Middleton Hall Rm 1st
800 Lancaster Avenue
Villanova, PA 19085

General Telephone Number: 610-519-4220