



## **OP 61.05: FIXED PRICE AND RESIDUAL BALANCE**

### **PURPOSE**

The purpose of this policy is to establish definitive direction on how residual balances for Fixed Price agreements will be handled.

### **POLICY**

Fixed Price projects are characterized by payments of predetermined amounts by a sponsor to support a project. Payment for a Fixed Price project is based on successfully providing the goods or services agreed to in the contract. The contract amount is not adjusted when it actually costs more or costs less to complete the project than the price initially agreed upon. Such agreements are subject to the same policies and procedures that apply to all sponsored projects. Fixed Price terms do not eliminate the need to follow cost accounting principles.

As with all other types of sponsored projects, all direct costs incurred as a result of performing the Scope of Work must be expensed directly to the project.

A residual balance is a result of money remaining in a fund after a Fixed Price project has been completed, all bills have been paid, and all payments have been received from the sponsor.

If the project has not been completed by the expiration date, a no-cost extension should be requested by the department's Sponsored Programs Administrator. A no-cost extension may also be requested to provide additional research services to the sponsor using the remaining residual funds.

### **PROCEDURE**

In the event a residual balance exists at the end of the project, Sponsored Programs Accounting will recover 100% of the Facilities and Administrative (F&A) costs up to the federally negotiated rate, based on the budgeted direct costs. If a residual balance still exists after the F&A recovery is posted, Sponsored Programs Accounting will contact the Budget Manager and/or PI to certify total expenditures and to identify the fund to which the residual balance should be transferred by completion of a Certification of Expenditures form (COE). If a fund is not identified within 45 calendar days of Sponsored Programs Accounting's COE request, a second request will be sent. If a fund is not identified within 90 calendar days of Sponsored Programs Accounting's initial COE request, the residual balance may be appropriated by the university and used for other institutional needs.

If the residual balance, after the F&A has been recovered up to the federally negotiated rate, is greater than 25% of the award amount at the end of the project, the PI must provide Sponsored Programs Accounting written justification that has been approved by the appropriate Vice

President. Any residual balance greater than 25% that cannot be adequately justified is subject to having the excess over 25% being transferred to the appropriate Vice President.

In the event of cost overruns, such costs will be assumed by the department.

**REVIEW**

The Office of the Controller and Treasurer is responsible for the review of this operating policy every four years or as needed.

**REVIEWED BY:**

/s/ Kevin Edelblute 1/17/2022  
Associate Vice President for Finance Date

/s/ Don Zant 3/7/2022  
Vice President for Finance & Administration Date

/s/ Tracey Baham 3/7/2022  
Assistant Vice President, Institutional Strategy & Effectiveness Date

/s/ Joan Lucas 3/8/2022  
General Counsel Date

**APPROVED BY:**

/s/ Mark E. Keenum 3/28/2022  
President Date