FIXED PRICE AND RESIDUAL BALANCE POLICY

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 there is a residual balance at the end of the project after Sponsored Programs Accounting recovers 100% of the Facilities and Administrative (F&A) costs budgeted, prior to any transfers, Sponsored Programs Accounting will:

- recover F&A costs that had been waived, up to the federally negotiated rate; and
- if residual is less than $100, transfer residual to the department’s designated residual fund.
- if the residual balance exceeds $100, send an email to the Budget Manager and/or PI requesting a Certification of Expenditures (COE) identifying which fund to transfer the residual balance to.
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 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 Controller and Treasurer’s Office is responsible for the review of this operating policy every four years or as needed.

RECOMMENDED BY:

/\s/ Kevin Edelblute
Controller and Treasurer

12/16/2010

/s/ Wayne Bland
Associate Vice President for Budget & Planning

12/16/2010

/s/ Don Zant
Vice President for Budget & Planning

12/16/2010

REVIEWED BY:

/\s/ Lesia Bryant
Interim Director of Internal Audit

12/17/2010

/s/ Joan Lucas
Interim General Counsel

01/04/2011

APPROVED BY:

/\s/ Mark E. Keenum
President

01/24/2011