

.110 Special close out procedures - Fixed amount agreements

A. Unexpended funds

Fixed amount agreements (sometimes also known as fixed price or firm fixed price) are those where a sponsor has agreed to pay a set amount for a project - payments may be based on tasks, milestones, or a lump-sum advance, for example. Though the expectation is that the agreement amount will closely match the actual costs ultimately incurred, in some cases a residual balance of unexpended funds may remain after all work has been completed, due to unanticipated cost savings or other variances in actual costs.

Significant residual balances, however, – defined by the university as amounts over \$500 and representing 20% or more of the awarded amount – typically indicate a need for further review to ensure that project costs were estimated correctly and that all associated costs were charged to the project account. Incorrect estimating or costing practices can lead to situations where federally-funded accounts or accounts that include fee-for-service costs end up bearing the costs instead. Such shifting of costs, even when inadvertent, is unallowable under federal regulations and can lead to audit claims and findings for deficiencies in internal controls. Frequent occurrences of significant balances can also threaten the non-profit status of the university. In order to identify and mitigate any such problems, the closeout of fixed price agreements with positive residual balances will follow the steps detailed below:

1. After the end of the agreement and full payment has been received from the sponsor, SPA will review the terms of the agreement, along with the internal budget and scope of work to verify that any residual balances are not required to be returned to the sponsor and that all deliverables have been provided to the sponsor. In the event that an internal budget was not initially provided to SPA, the department will be required to provide a copy before any closeout entries will be approved or processed. These documents provide necessary evidence that proper and reasonable budgeting and costing procedures were followed, especially in the event of an audit.
2. For any account where the balance is \$500 or less, the full amount will be transferred by SPA to the departmental SRO account.
3. For any account where more than \$500 remains, if the amount represents less than 20% of the awarded budget, SPA will transfer the balance, less applicable indirect costs, to the departmental SRO account. Indirect costs will be distributed in accordance with standard university policy. The only exception to the assessment of indirect costs on the residual balance will be those situations where indirect costs were not assessed on the original account due to a sponsor's written policy regarding overhead.

4. For any account where more than \$500 remains and the balance represents 20% or more of the awarded budget, SPA will notify the department by letter and will ask the department for the following in writing:
 - a. Verification that ALL related costs have been properly charged to the sponsored account and that the costs are NOT reflected in any other sponsored accounts, other federally funded accounts, or any other departmental accounts, including fee accounts.
 - b. Explanation of the reason for the excessive remaining balance from the PI and signed by the department head.

Once the above documentation is received and reviewed by SPA, remaining direct costs will be transferred to the departmental SRO account. Applicable indirect costs will be deducted, regardless of whether or not indirect costs were assessed under the original agreement, and transferred to the central administration SRO account. All documentation will be retained by SPA and subject to audit.

B. Over-expended funds

In the event that the end date of a fixed amount agreement is reached and the project is overdrawn, if no action has been taken by the department to resolve the negative balance within three months, SPA will have the option to transfer the overage to the department's Sponsored Research Overhead (SRO) account.