

Fixed-Price Awards Closeout Procedure

Last Revised: New 03/16/10

1.0 Background

On occasion, sponsors prefer to establish a fixed-price award where the sponsor pays a fixed-price for an agreed number of tasks, delivery of a specific product/service, or scope of work, regardless of the actual cost to complete the project. The fixed-price is determined prior to award acceptance based on a cost and pricing estimate for completing the work.

Once a fixed-price award is completed, three scenarios are typical: 1) the project account balance may be zero if costs were estimated accurately, 2) the project account balance may be in deficit if overspent, or 3) the project account may have a residual balance if unanticipated efficiencies were realized. This procedure details the process for closure of fixed-price award accounts and disbursement of any residual funds, if applicable. In the event a project account has a deficit balance, the *Sponsored Projects Account Deficit Procedure* (see <http://www.clarkson.edu/finance/>) will apply, as appropriate.

When a project account has a residual amount, the question of importance to non-profit institutions is "when does the amount of residual funds become a problem"? Generally, 10 to 20% of the agreed price is acceptable and an occasional amount over 20% may be, as well. A pattern of excessive residual funds, however, may be problematic because such patterns may occur as a result of inappropriate charging of project costs and inaccurate estimation of projected costs. Of particular concern when federal funds are involved, inflated prices can lead to charges of violation of cost and pricing regulations^{1, 2}. Furthermore, excessive residual funds may threaten the non-profit status of the institution and subject the institution to unrelated business income tax liability, unless written explanations for residual balances over 20% are documented.

2.0 Purpose

Clarkson University has established the following procedure to ensure sound fiscal responsibility with sponsored project funds related to fixed-price awards and the disbursement of residual funds.

3.0 Responsibility

Individuals engaging in the management of sponsored projects are expected to follow the procedures detailed below when closing fixed-price awards.

Principal Investigators (PIs) are responsible for managing their awards as detailed below, including ensuring expenses charged to fixed-price awards reflect the level of effort and cost required to support the scope of work.

4.0 Definitions

Fixed-Price Award: A fixed-price award is an award where the sponsor pays a fixed-price for an agreed upon number of tasks, delivery of a specific product/service, or scope of work, regardless of the ultimate cost to complete the project.

5.0 Procedure

5.1 Closeout of Fixed-Price Awards

- 5.1.1 All expenditures applicable to the award must be incurred prior to the end date of the award. It is the University's policy that accounts should be brought to a zero dollar balance by 60 days past the end date of an award.
- 5.1.2 At ninety/sixty/thirty (90/60/30) days before the end date of a fixed-price award, the Division of Research (DoR) will notify the Principal Investigator (PI) of the upcoming end date and will provide instructions and other information relevant to reconciliation and closure of the account.
- 5.1.3 If a no-cost extension is required to meet deliverables or to complete the scope of work, the Principal Investigator must notify the DoR at least sixty (60) days prior to the award end date.
- 5.1.4 Within the first thirty (30) days after the award end date, the PI should review project expenditures to ensure that all allowable project costs have been charged. All attempts to resolve incomplete transactions should be made with sixty (60) past the end date of the award.
- 5.1.5 Prior to closing the account, the DoR will verify that all contractual obligations have been met by the PI. Once full payment from the sponsor has been received, the DoR and the Comptroller's Office will close the account no later than ninety (90) days after the end date or receipt of final payment, whichever comes first.
- 5.1.6 If the award account has a deficit balance, the *Sponsored Projects Account Deficit Procedure* on the Business and Finance webpage at <http://www.clarkson.edu/finance/> will apply, as appropriate.

5.1.7 For awards with residual funds the following will occur as part of the closeout process:

5.1.7.1 If residual funds exceed 20 percent of the total project costs, the PI must provide an explanation, in writing to the DoR detailing why the actual direct cost of the project was substantially less than originally estimated.

Note: Explanations are necessary to document that proper cost and pricing practices were utilized during the proposal process, as discussed in the Section 1.0.

5.1.7.2 Explanations will be reviewed by the DoR and the Comptroller's Office. If necessary, additional information may be requested to ensure that all expenses have been appropriately charged to the account.

5.1.7.3 Patterns of excessive residuals will be reviewed by the DoR and the Comptroller's Office. If necessary, they may be referred to the appropriate academic officials for review.

5.1.7.4 Prior to disbursement of residual funds the following will occur:

5.1.7.4.1 The University will recover the full amount of all remaining budgeted indirect cost and charge the account, as needed.

5.1.7.4.2 If the PI is responsible for any deficits in any other sponsored projects the residual funds may be used to zero these accounts, as stated in the *Sponsored Projects Account Deficit Procedure* on the Business and Finance webpage at <http://www.clarkson.edu/finance/>.

5.2 Disbursement of Residual Funds

5.2.1 After steps in Section 4.1 have been completed, any remaining residual funds will be transferred to an unrestricted account (i.e. 337).

5.2.2 Use of residual funds should be consistent with the mission of the University and comply with applicable University policies.

6.0 References

¹OMB Circular A-21, Appendix A, Cost Accounting Standards (CAS) 99005.501, Consistency in estimating, accumulating and reporting costs by educational institutions <http://www.whitehouse.gov/omb/rewrite/circulars/a021/a021.html>

²Federal Acquisition Regulation (FAR), Clause 52.215.12, Subcontractor Cost or Pricing Data <http://farsite.hill.af.mil/vffara.htm>


OMB Circular A-110
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

OMB Circular A-21
<http://www.whitehouse.gov/omb/rewrite/circulars/a021/a021.html>

7.0 Approvals

Prepared By: K. Klatt Date: 03/22/10

Approved By:  Date: MAR 22 2010
Provost

Approved By:  Date: 3/22/10
Chief Financial Officer

Revision History

New 03/16/10