



Controller's Office - Procedures

Sponsored Projects

Number 2.2.2.6

Subject: Fixed Price (Contract/Grant) Residual Amounts

Effective Date: 1 February 2008

OVERVIEW

Cost Accounting Standard 9905.501 (Appendix A of OMB Circular A-21 <http://www.whitehouse.gov/omb/circulars/>) addresses consistency in estimating, accumulating, and reporting costs. This standard in part says,

“With respect to individual sponsored, agreements, the consistent application of cost accounting practices will facilitate the preparation of reliable cost estimates used in pricing a proposal and their comparison with the costs of performance of the resulting sponsored agreement. Such comparisons provide one important basis for financial control over costs during sponsored agreement performance and aid in establishing accountability for costs in the manner agreed to by both parties at the time of agreement. The comparisons also provide an improved basis for evaluating estimating capabilities.”

To ensure A-21 compliance, USU must review fixed price contracts that show a significant deviation between proposed costs and actual expenditures at project completion. If estimates are consistently and significantly higher than actual costs, the institution may have a cost estimation problem that needs to be addressed.

Fixed price agreements involve a degree of financial risk. A fixed price contract requires that USU perform the work to the sponsor's specifications regardless of the actual cost of doing the work. Therefore, PI's must budget carefully to ensure that the funds received from the sponsor are sufficient to cover the actual project costs. Ideally, accurate budgeting (estimating) and charging of costs should result in circumstances where there is neither a deficit nor a substantial surplus of funds at project completion.

PROCEDURES

1. All project costs, including indirect costs, are to be charged to the fixed price contract/grant or related matching index.

2. If the deliverables have been met and the institution has collected the funds, fixed price awards will be closed 90 days after the end date of the award. This is consistent with other types of awards.
3. Deficit balances will be transferred to a department index.
4. Prior to a transfer of any residual balance, funds will first be used to recover the following, in the order listed below:
 - the full federally-negotiated research Facilities and Administrative (F&A) rate which was in place at the time the project was initiated will be collected on the residual and allocated according to the current distribution method
 - over-budget amounts on other awards for the PI will be covered.
5. Any balance remaining (after number 4. above has been applied) which is 25% or less of the funded amount will be transferred to an unrestricted account upon receipt of the Certification of Fixed Price Project Completion Form.
5. Any balance remaining (after 4. above has been applied) which is over 25% of the funded amount, will be transferred upon receipt and approval of the Certification of Fixed Price Project Completion Form with an accompanying explanation of the variance between the project budget and the actual amount expended. The explanation will be reviewed by a committee consisting of a representative from the Vice President for Research Office, Sponsored Programs Office and Sponsored Programs Accounting.

Utah State University
Certification of Fixed Price Project Completion Form

I certify that all project objectives have been successfully completed and all appropriate direct costs have been charged to the project.

_____ sponsored by _____
Grant No. Agency

Based on the budget awarded by the agency, I certify expenditures on the grant/match index numbers reflect all the costs needed to provide the agency with the required deliverables. The budget on this fixed price project is \$_____, the expenditures total \$_____ leaving a residual balance of \$_____. The unrestricted index number to move residual funds to is _____.

I understand that prior to a transfer of any residual balance, funds will first be used to recover the following, in the order listed below:

- The full federally-negotiated research Facilities and Administrative (F&A) rate will be collected on the residual and distributed according to the current distribution method.
- Over-budget amounts on other awards I administer will be covered.

Any balance remaining (after the above) which is 25% or less of the funded amount will automatically be transferred to the unrestricted account specified above.

Any balance remaining (after the above) which is over 25% of the funded amount will be transferred upon receipt and approval of this form and the accompanying explanation of the variance between the project budget and the actual amount expended.

Explanations will be reviewed by a committee consisting of a representative from the Vice President for Research Office, Sponsored Programs Office and Sponsored Programs Accounting.

Principal Investigator

Date

To the best of my knowledge, the PI on this fixed price project has provided the agency with the required deliverables and all appropriate expenditures have been applied correctly.

Department Head

Date

Dean

Date

Submit Form To: Controller's Office, Attention – Irene Jorgensen UMC 2400. Attach explanation for residuals over 25% of the funded amount.