

Fixed Price Account Close out Guidance*

Sometimes awards are issued to the University on a task based or fixed price agreement. Rather than reimburse expenditures, the sponsor pays a fixed amount based on the work completed. These awards come with a certain amount of inherent risk because reimbursement is not based on costs - there is a risk of cost overruns. It is important that the budget projections for these awards are accurately priced out so that there is neither a deficit, nor a large residual balance. It is also essential that all applicable expenses are identified and charged to the project. **Other projects and institutional accounts should not be used to pay for project specific expenses.** If expenditures exceed the awarded amount, the PI must cover them from an unrestricted account. If a surplus remains and the sponsor does not require reimbursement, the residual amount is then available for use by the University once proper accounting has been verified.

Sponsored Projects Administration (SPA) office reviews fixed price accounts with the PI at the end date to ensure that all work has been completed and all expenditures have been charged to the project. The PI is asked to sign off that all requirements have been met and explain any unexpended budget variances. Once all documentation has been submitted and accepted the account is ready for closing.

If there is a cost overrun, the overage will be transferred to an unrestricted account of the PI or Project Director (PD). If there are not enough funds in a PI/PD discretionary account, then the expense will be transferred to a department account and then a dean account, if needed.

If there is a residual balance and the award received a waiver or reduction from the federally negotiated F&A rate, the full F&A rate will be charged to the project prior to determining the residual balance. Salary, fringe benefits and other appropriate adjustments to direct costs will be made in cases when such expenses, for example, certain % effort was committed and certified on a fixed price project, but not properly charged to the grant in the prior fiscal years. The remaining balance will then be available to support research and development at UMassD and will be distributed as follows:

The direct cost balance will be transferred to an unrestricted account of the PI. These funds may only be used to support research and follow the policy on use of indirect costs to determine appropriateness of expenses. Additional 9% will be allocated to the PI's indirect account respectively to cover administrative costs associated with the miscellaneous accounts management by the University.

The remaining indirect cost balance will go to a central reserve fund held to support Research and Development.

SPA will periodically assess the fixed price awards held by a PI to verify proper costing of expenses. Additional clarifying information may be sought, or corrective actions identified if there appears to be a pattern of large unexpended balances or large overdrafts.

*This guidance is not applicable to student projects, for example, Capstone student projects.