

Policy on Residual Funds from Fixed Price Contracts

Policy Number	ACA-024
Effective Date	When Signed
Responsible Office/Person	Academic Affairs: Provost/COO; Vice Chancellor
Related Policies	See Below
Additional History	
Additional References	

University of Massachusetts Dartmouth
Division of Academic Affairs
Policy on Disposition of Unexpended Balances on Fixed Price Contracts

Purpose

To establish policy and procedures that will ensure the timely closure of completed, fixed price contracts for research and research-related services and the disposition of any unexpended balances. This policy is predicated on the principle that UMass Dartmouth shall continue to undertake provision of fixed price contract services, at the highest levels of excellence, consistent with the University research and education missions.

Scope

This policy applies to all University members and constituencies engaged with fixed price contract services.

Definitions

Fixed price contracts are characterized by payments of predetermined amounts by a sponsor to support a project. The payments are either lump-sum or periodic. They may or may not require an invoice request from Sponsored Projects Administration. The payments are not reimbursement for actual project costs but are predetermined lump-sum payments based on pre-negotiated, fixed unit prices for specific services or a percentage of project completion.

Facilities and Administrative (F&A) cost recovery is money that is charged to externally funded grants to cover costs that are necessary for performing research that cannot be allocated to a particular project. The federally negotiated rate is the rate of F&A recovery that UMass Dartmouth has negotiated with the United States federal government based on a quantification of unallocable research costs.

Residual funds are the monies remaining at the completion of a project contract/grant, after all costs incurred in performing the contract/grant have been paid and all external funding has been received.

Policy

Cost proposals for fixed price contracts should be estimated on a cost basis consistent with UMass Dartmouth cost accounting policies. A detailed budget including overhead assessment

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and any cost sharing commitments should be prepared for internal review and approval in anticipation of a successful contract application (bid), even if not required by or submitted to the sponsor. Expenses should be budgeted based on anticipated reasonable costs. Budgets should not anticipate revenue to recover expenses incurred prior to the beginning of the project unless those expenses are ongoing during the term of the project. However, individual projects, especially fixed price (per unit) contracts, may have significant research and development costs necessary to maintain a competitive position among potential applicants, pay for infrastructural needs and direct capital equipment purchase and depreciation costs that should be included as a component of the fixed-price proposal. Consistent with state, federal or other law governing the structure of fixed price contracts, UMass Dartmouth may also include a reasonable overage in a contract to account for unanticipated cost increases, particularly for long-term contracts, and to cover all or part of general capital or infrastructure costs necessary to maintain the relevant research and research-related capabilities at the state-of-the art.

Costs allocable to the project should be charged to the account as the project progresses in accordance with standard UMass Dartmouth cost accounting practices. Cost overruns resulting from inaccurately-costed projects, or expenditures for which the Sponsor does not make payment are the responsibility of the principal investigator/administering unit.

In some instances, unexpended balances may accrue during the course of the conduct of the contract or at the contract's conclusion. This may occur because of efficiencies or economies of scale developed during the conduct of the contract, lower costs of necessary services or supplies, improved managerial performance, or the like. To the extent that such improved performance is achieved with the knowledge, advice and/or consent of the sponsor, and is allowable by governing law, distributions of unexpended balances on the award shall occur as described below.

Procedures

Closeout of Fixed Price Contracts:

Fixed price contracts have beginning and ending dates, like other sponsored programs. When a fixed price contract terminates and all the terms and conditions of the contract have been satisfied, if the actual project costs are less than the pre-negotiated fixed price agreement, the excess revenue is retained by UMass Dartmouth. Sponsored program fixed price contract closeout should occur within 90 days from the project end date.

In instances where there is a residual balance exceeding 25% of the total award amount or \$10,000, whichever is greater, a written statement from the Principal Investigator (PI) must be obtained as to why an unexpended balance remains before any unexpended funds are transferred to the PI's discretionary account. In particular, it must be documented whether the reduced expense was the result of the use of university supported resources to decrease cost. Furthermore, excessive residuals may subject the institution to unrelated business income tax liability and audits.

The closeout and distribution of any unexpended funds will be governed as follows:

1. Sponsored Projects Administration (SPA) will determine that all funds due have been received from sponsor upon expiration of contract.

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2. The Principal Investigator must provide written documentation from the sponsor that all contractual requirements have been satisfactorily met. This may take the form of standard (e.g., Federal) contractor evaluations.
3. The Principal Investigator will provide written confirmation to SPA that all project expenses have been recorded in the account.
4. In the event that decreased project cost was due to the use of university resources that were not paid for by the contract, the cost for those resources will be assessed by SPA and the identified funds will be transferred to the Provost for allocation to the appropriate unit.
5. For contracts on which F&A was waived by the university for the conduct of the contract, or for which a reduced F&A rate was applied (see ACA-023), the full F&A costs for the project will be assessed and allocated into the F&A pool before any funds are distributed to the Principal Investigator/unit.
6. Once the final balance is determined, SPA will first impute the full F&A component on the total remaining balance and allocate that amount to the university's F&A pool. The remainder of the unexpended balance shall be distributed to the Principal Investigator/unit.

All F&A recovered during grant close out will be distributed to the Provost.

7. The direct costs funds remaining in the fixed price account will then be transferred to an unrestricted account under the direction of the Principal Investigator/Unit for use to support research activities in accord with ACA-027. Expenditures will be allowed from the residual accounts until all funds are expended subject to carryforward limits. Balances of less than \$100 will revert to central administration.

The unrestricted accounts that receive funds from grant or contract close-outs will not be subject to overhead assessment or Trust Fund Administration charges.

Responsibility

The Office of Sponsored Projects Administration will enforce the terms of this policy.

Policy Changes

The Division of Academic Affairs will review this policy every five years or sooner.

Related Policies

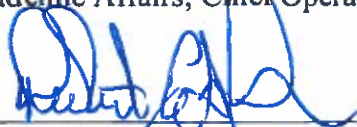
ACA	023	Reduced F&A Policy
ACA	026	Distribution of Research Support Funds
ACA	027	Research Support Funds Usage Policy
ACA	041	Miscellaneous Fund Carryforward Policy

Approvals:


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Mohammad A. Karim
Provost; Executive Vice Chancellor for
Academic Affairs; Chief Operating Officer



Robert E. Johnson
Chancellor



Date