Purpose

To describe the disposition of residual balances currently on fixed price agreements, fee for service agreements or any other related fixed fee agreements.

Source

Policy Statement dated May 1990 and University Policy

Policy Statement

Upon Fixed Price project completion, both deficit and surplus balances on fixed price agreements must be transferred to a non-sponsored account. Note for cost reimbursement type of funding the residual funds will be returned to the sponsoring agency.

If Costs Exceed the Sponsor's Funding at Project Completion

If costs exceed the sponsor's funding at project completion, Office of Sponsored Projects (OSP) will take one or more of the following steps until all project costs are covered:

1. Notify the Principal Investigator and department administrator with a memo requesting an alternative unrestricted fund source to absorb the overrun.

2. Ask the department chair, dean, or other qualified contact at the college for an unrestricted account to absorb the cost overrun expenses and/or

3. Cover the cost overrun of the college, department, or centers with facilities and administrative cost recovery funds.

Note: This procedure applies to cost overruns on cost reimbursement awards as well.

If the Sponsor's Funding Exceeds Costs at Project Completion

If the sponsor's funding exceeds project costs, OSP will:

1. Book facilities and administrative costs (based on project budget) that had been waived up to the federally negotiated rate, if applicable.
and/or

2. Residual funds on fixed price fee for services and other related fixed fee contracts in the amount of 5% of the total award, up to $5,000, can be retained by the department. Residual funds in excess of $5,000 are to be transferred to the Office of the Vice President for Research account to be used to support research and development. Only the Office of the Vice President for Research can authorize the generating department's use of the excess funds over the 5% or $5,000. The request to use the excess funds must be made in writing and approved by the Office of the Vice President for Research.

Background

Fixed price agreements are generally discouraged because of risk involved. A fixed price contract requires that NAU perform work to the sponsor's specifications regardless of the actual cost of doing the work. Therefore, the university must budget carefully to ensure that actual cost and the price paid by the sponsor will match.

All costs for a fixed price project must be expensed directly to the project ID. Facilities and administrative costs are predicted at the outset of the award and included in the approved budget. Direct costs are identified by the project director and charged as they occur. All project-related costs must be charged to the project ID.

Thus with accurate budgeting and charging costs, there should be neither a deficit nor a substantial surplus of funds at project completion.