



## CAMPUS PROCEDURE

### UNIVERSITY OF COLORADO COLORADO SPRINGS

# Retaining Residual Funds from Fixed Price Contracts

## I. Procedure

Retaining Residual Funds from Fixed Price Contracts

## II. Purpose

The purpose of this procedure is to establish guidelines and processes for retaining residual funds from fixed price contracts. To strengthen the accountability, use of funds, and provide for accurate budgeting and costing of fixed price award activities.

As required by the Office of Management and Budget (OMB) Uniform Guidance Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards §200.201:

The Federal award amount is negotiated using the cost principles (or other pricing information) as a guide. The Federal awarding agency or pass-through entity may use fixed amount awards if the project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost.

Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions

OMB Circular A-21 requires the cost principles be used as guides in the pricing of fixed price/fixed rate contracts and subcontracts where costs are used in determining the appropriate price.

**Note:** Projects with a start date prior to 12/26/2013 will follow the OMB Circulars A-21, A-110 and A133. Projects with a start date of 12/26/2013 and later will follow the OMB Uniform Guidance.

## III. Definitions

- 1. Fixed Price Contracts** are those in which a value (a fixed price) is determined for work to be accomplished. In general, payment for a fixed price contract is usually tied to performance or deliverables. If the performance is not met, the sponsor is not obligated to pay. If the performance is met, the sponsor is contractually obligated to pay. There is a level of risk involved in Fixed Price Agreements because the institution is obligated to complete the work, even if the costs exceed the contracted amount. However, the institution can retain any cash balance remaining after the work has been completed and all expenses related to the contract have been paid.

Funding requests must be within a reasonable range of actual anticipated expenditures. The expectation is that a fixed price award will be charged the actual expenses incurred for the project. If project costs were sufficiently estimated at the proposal stage, expenses on the fixed price award should closely match the awarded amount. Departments must ensure costs appropriate to fixed price projects are not incorrectly charged against cost reimbursable projects or federal sourced projects.

An audit sensitive issue arises when final actual expenditures are substantially less than the amount of the contract award. A substantial positive balance can imply to state auditors and external sponsors that we inappropriately inflated our cost proposals thereby deliberately generating a cash surplus.

2. **Fixed Price Contract Residual Income** is income remaining after all services required of the contract have been completed, all direct and indirect expenses have been incurred, all invoices have been submitted, and all sponsor payments have been received.
3. **Sponsored Projects** are research, instructional, or public service activities that are related to the mission of the University of Colorado Colorado Springs and sponsored by external agencies or entities.

#### IV. Procedures

##### 1. Responsibilities Related to Potential Residual Income from Fixed-Price Contracts

###### **Principal Investigator/Department**

During the application/contract development process, the Principal Investigator ("PI")/Department is responsible for estimating as accurately as possible the actual costs associated with performing required services under a federal fixed-price contract.

If a residual balance exists, the principal investigator must make certain that all direct costs of conducting the fixed-price agreement were charged to the program/project. In the event that adjustments are necessary, they must be made before residual balances are used for other purposes.

The PI must certify that all research deliverables have been completed. They must also provide an explanation as to why the actual expenditures differed from the planned budget if the residual balance is greater than 10% or \$20,000 of the total cash receipts, (5% if the sponsor is Federal or award is a Federal Flow-through).

###### **Sponsored Projects Accounting**

Sponsored Projects Accounting will prepare the Transfer of Fixed Price Residual Funds form and forward it to the PI for their acknowledgement and certification.

Sponsored Projects Accounting will establish the appropriate program/project budget and/or accounting entries in the accounting system so that all income can be appropriately tracked and accounted for.

In all cases, residual income from fixed price contracts shall remain in the University's accounting system. Incoming monies will be deposited promptly in accordance with University fiscal policies and procedures for effective cash management.

##### 2. Retained Residual F&A from Fixed Price Contracts

The scope of work must be completed by the project end date, all related expenses charged to the award and full payment received from the sponsor. F&A costs will be recovered based on the remaining budgeted amount on the award. F&A will be deducted prior to the residual direct cost balance being transferred to the PI's fund 26.

### **3. Retained Residual Income from Fixed Price Contracts**

Principal Investigators may retain the residual income from fixed price contracts once the residual F&A has been subtracted from the balance. These funds are considered University resources and must be spent in accordance with good financial practices and in support of the university's mission. This amount will become available to the PI when transferred to the PI's account in the fund 26 and should be used for unfunded research-related expenses.

### **4. Cost Overrun**

If there is a cost overrun on a fixed price contract the amount must be covered by the department and/or Principal Investigator, including F&A.

## **V. References**

Uniform Guidance Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards  
§200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions