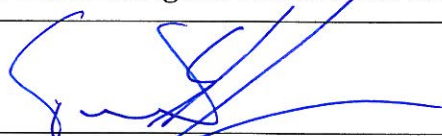


**INTERNAL OPERATING MEMORANDUM**  
**Memorandum No. 16A.022**

<b>Subject:</b>	<b>Fixed Price Residuals</b>	
<b>Authority:</b>	<b>Sections 1001.74 and 1001.75, Florida Statutes, Florida Agricultural and Mechanical University (FAMU) Board of Trustees (BOT) Policy</b>	<b>Date: 09-19-2012 Update: 02-16-2016</b>
<b>Related References</b>	<b>2 CFR Part 200, Uniform Guidance (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)</b>	
<b>Purpose</b>	<b>The purpose of this policy is to establish guidelines and procedures for retaining and determining the distribution of residual funds from fixed price contracts.</b>	
<b>Signature of Approving Authority</b>		

**1.0 GENERAL INFORMATION**

Fixed price awards are a type of grant agreement or contract under which the Federal, state or private awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the agency award. Accountability is based primarily on performance and results. See §§200.201—Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b) and 200.332—Fixed amount sub-awards. UG-§200.232—prior written approval from the Federal awarding agency, a pass-through entity may provide sub-awards based on fixed amounts up to the Simplified Acquisition Threshold.

- a) Federal awarding agency or pass-through entity must decide on the appropriate instrument for the Federal award in accordance with the Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08).
- b) Fixed Amount Awards, in addition to the options described in paragraph (a) of this section, Federal awarding agencies, or pass-through entities as permitted in §200.332—Fixed amount sub-awards, may use fixed amount awards (see §200.45—Fixed amount awards) to which the following conditions apply:
  - 1) 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 are available to establish a fixed amount award based on a reasonable estimate of actual cost. Payments are based on meeting specific requirements of the Federal award. Accountability is based on performance and results. Except in the case of termination before completion of the Federal award, there is no governmental review of the actual costs incurred by the non-Federal entity in

performance of the award. Some of the ways in which the Federal award may be paid include, but are not limited to:

- i. In several partial payments, the amount of each agreed upon in advance, and the “milestone” or event triggering the payment also agreed upon in advance, and set forth in the Federal award;
  - ii. On a unit price basis, for a defined unit or units, at a defined price or prices, agreed to in advance of performance of the Federal award and set forth in the Federal award; or,
  - iii. In one payment at Federal award completion.
- 2) A fixed amount award cannot be used in programs which require mandatory cost sharing or match.
  - 3) The non-Federal entity must certify in writing to the Federal awarding agency or pass-through entity at the end of the Federal award that the project or activity was completed or the level of effort was expended. If the required level of activity or effort was not carried out, the amount of the Federal award must be adjusted.
  - 4) Periodic reports may be established for each Federal award.
  - 5) Changes in principal investigator, project leader, project partner, or scope of effort must receive the prior written approval of the Federal awarding agency or pass-through entity.

Fixed price awards/contracts require the contractor to successfully perform the contract and deliver goods or services for a price agreed upon up-front. In the event that the cost to perform the service or produce the good is more than expected, the Principal Investigator/Program Director (PI/PD) department may assume the loss (if the sponsor does not provide the additional funding). However, in the event that the cost is less than the contracted amount, the University retains the residual. Therefore, a fixed price contract is suitable for goods and services that can be described in sufficient detail to ensure complete understanding of the requirements by both parties and assessment of the inherent risks of performance. The sponsor is obligated to pay the specified price, regardless of the actual costs of completing the project. Therefore, the PI should budget carefully to ensure that the funds received from the sponsor are sufficient to cover the actual project costs.

Some agencies may require fixed price residual funds to be returned. If the deliverables have been met and the University has collected the funds, fixed price awards should be closed within 90 days after the end date of the award. After completion of all deliverables required under a fixed-price contract, the remaining funds will revert to the PI/PD, given the following conditions:

- Costs in fulfilling the requirements of the award have been charged to the project;
- All required technical and final reports submitted;
- Full payment from the sponsor has been received;
- Facilities and Administrative (F&A) costs are recovered at the University’s current federally negotiated approved rate (Exceptions must be approved by the Vice President for Research); and
- Consideration of any over-budgeted amounts on other awards for the PI.

Any residual funds should be used by the PI/PD, department and Division of Research to promote, conduct, stimulate and support research and scholarly activities on and off campus, consistent with the mission and goals of Florida Agricultural and Mechanical University (FAMU). If funds remain after charging the full F&A, the remaining residual funds will be transferred to a project established for the PI/PD for use in furthering the research mission of the University. The fixed price project will be close

and residual funds will be transferred to the appropriate PeopleSoft project entitled “PI/PD’s Research Support.”

## 2.0 DEFINITIONS

- **Fixed Price** is an award provided to FAMU by an external federal, state or private funding agency when a reasonable price for the anticipated scope of work is determined at the proposal stage. Sponsored project costs are pre-determined based on a fixed fee per unit of service or product. The total award is not subject to any upward or downward adjustment of funds based on actual costs. There is no stipulation or expectation that excess funds be returned to the funding agency.
- **Residual Income** is an unobligated, unspent balance remaining in a sponsored project at the conclusion of the funding period. Residual income occurs when the income or revenue is greater than the expense incurred upon final closeout. Residual income may occur on fixed price awards for seminars or conferences, and other fixed price contracts. Any residual funds may be used by the PI/PD to promote, conduct, stimulate and support research and scholarly activities on and off campus, consistent with the mission and goals of FAMU.
- **Cost Accounting Standards (CAS)** require universities to classify costs consistently as either *direct* costs of projects or *indirect* costs benefiting multiple activities. Prior to moving residual funds to a non-sponsored account, a review of large unexpended balances and overages may be required in accordance with Uniform Guidance (UG) federal regulations 48 CFR Part 9905 – CAS for Educational Institutions which requires consistency in estimating, accumulating and reporting costs. In part, the regulation states the following: 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.
- **Direct Costs (DC)** are specifically associated and identified to a particular project, program, or activity such as a Federal award, or other internally or externally funded activity or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

## 3.0 RESPONSIBILITIES

- 3.1 **Principal Investigator/Program Director (PI/PD)** is responsible for defining the scope of work for a set amount of funding. The PI/PD is obligated to perform the work specified in the contract and to complete that work in accordance with the negotiated time schedule. PI should budget carefully to ensure that the funds received from the sponsor are sufficient to cover the actual project costs of the fixed price.
- 3.2 **Departments/Division/Colleges/Schools (DDCS)** administrators are responsible for ensuring that all individuals involved with the administration and conduct of federal, state and private



sponsored award activities complies with institution policies and procedures in the management and conduct of sponsored award activities, and retention of documents.

**3.3 Office of Sponsored Programs (OSP)** is also responsible for ensuring compliance with applicable institutional, state and other federal regulations and laws, obtaining all required prior approvals, and ensuring proper management and retention of documents.

**3.4 Contracts and Grants (C&G)** is responsible for invoicing, preparing and submitting all fiscal reports to the funding agency.

**3.5 Organizational Development and Training (ODT)** is responsible for the advancement and coordination of training on regulatory requirements for all individuals with responsibilities in the review, approval and documentation of fixed priced contracts on sponsored projects, including but not limited to PI/PD's, OSP and C&G staff and grants administrators.

## **4.0 PROCEDURES**

### **4.1 PRINCIPAL INVESTIGATOR/PROGRAM DIRECTOR (PI/PD)**

PI/PDs' is responsible for ensuring project scope is specific outlined at the proposal stage. The following is required but not limited to:

- Ensure proposal includes specific scope of work, milestones, performance and results.
- Costs requested in the proposal budget and justification is adequate for the proposed services.
- Costs are based on historical or unit pricing data for the fixed price amount.
- Costs are based on a reasonable, allocable, and allowable estimate of actual cost.
- After the project expiration date the following are required:
  - Provide certification that all project work is completed as specified in the sponsored award/contract and deliverable has been accepted by sponsor;
  - All required interim and final technical reports were submitted;
  - If the project is not completed by the end date shown on the award document, the PI/PDs' should initiate a no-cost extension.
  - Ensure all direct cost expenditures are allocated appropriately to the fixed priced award/contract and expenditures cleared (no encumbrances remain or outstanding invoices);
  - Any remaining balance (after the above) which is 25% or less of the funded amount will automatically be transferred to the PI/PDs' Research Support project. Funds from the Research Support project will be used in furtherance of the University's mission;
  - If residual balance is in excess of 25% of the total awarded amount, PI/PDs' must provide additional justification with an explanation as to how excessive funds remain while still achieving the initial fixed price project statement of work. Excessive residual funds will be disbursed as follows: 10% to PI/PD, 25% to department, 25% to college/school and 40% to Division of Research;
  - Ensure property and equipment, if any, has been properly assigned; and
  - Inventions or patents reported.
- Upon the contract expiration, the PI/PDs' is responsible for notifying C&G that the performance/technical requirements have been met.
- Submit the attached FAMU Certification and Request for Access to Fixed-Price Balance form to OSP and provide budget and justification to [postaward@famuedu](mailto:postaward@famuedu).
- After completion of all deliverables required under a fixed-price contract, the unspent funds will revert to the PI/PDs' given the following conditions:

- Full payment from the sponsor has been received.
- F&A costs are recovered at the University's current federally negotiated rate. (Exceptions must be approved by the Vice President for Research).

#### **4.2 DEPARTMENTS/DIVISION/COLLEGES/SCHOOLS (DDCS)**

DDCS administrators are responsible for ensuring that all individuals involved with the administration and conduct of federal, state and private sponsored award activities complies with institution policies and procedures in the management and conduct of sponsored award activities and retention of documents.

- Review of the proposals and budget request to ensure that it represent a good faith and realistic estimate of the cost to perform the work.
- Costs are based on a reasonable, allocable, and allowable estimate of actual cost.
- The DDCS administrator should confirm the following:
  - All work has been completed and **all** project costs have been incurred and charged appropriately to the fixed projects;
  - No fixed project costs were charged to a separate FAMU funding source; and
  - All interim and final technical reports have been submitted to the sponsor and copies sent to the OSP.

#### **4.3 OFFICE OF SPONSORED PROGRAMS (OSP)**

The OSP are responsible for ensuring that all individuals involved with the administration and conduct of federal, state and private sponsored award activities complies with institution policies and procedures in the management and conduct of sponsored award activities and retention of documents. Prior to moving residual funds to a non-sponsored account, a review of large unexpended balances and overages may be required in accordance with UG.

- OSP shall review all sponsored proposals to ensure:
  - Costs are based on a reasonable, allocable, and allowable estimate of actual cost.
  - Costs are based on historical or unit pricing data for the fixed price amount.
  - Costs are based on a reasonable estimate of actual cost.
  - Review proposed scope of work for compliance.
- Review and confirm receipt of interim, annual and final technical reports have been submitted to the sponsor and copies provided to the OSP.
- After final closeout of fixed price projects the OSP will:
  - Receive notification from C&G that all funds have been received.
  - Review completed FAMU Certification and Request for Access to Fixed-Price Balance form, budget and justification.
  - Close the expired fixed priced project after all encumbrances, pre-encumbrances and invoices have been paid.
  - Review PI/PDs' other awards to ensure there are no over-budgeted projects.
  - Any remaining balance (after the above) which is 25% or less of the funded amount will automatically be transferred to the PI/PDs' Research Support project. Funds from the Research Support project will be used in furtherance of the University's mission.
  - If residual balance is in excess of 25% of the total awarded amount, PI/PD must provide additional justification with an explanation as to how excessive funds remain while still achieving the initial fixed price project statement of work. Excessive residual funds will

be disbursed as follows: 10% to PI/PD, 25% to department, 25% to college/school and 40% to Division of Research.

- Establish an internal project (decreasing the original budget for the PI/PDs' Research Support project).
- Funds will be transferred to existing PI/PDs' Research Support project or new project created for new PI/PDs'.
- Prepare budget amendment for Post-Award Associate Director's review and approval.
- Approved budget amendment will be signed by the Director and notification will be emailed.

#### **4.4 CONTRACTS AND GRANTS (C&G)**

C&G is responsible for invoicing, preparing and submitting all fiscal reports to the funding agency.

- C&G will prepare and submit final invoice.
- Apply F&A charges to the total budgeted direct cost based on FAMU's negotiated rate.
- Verify that all funds have been received from the funding agency and recorded in the University's records.
- Provide notification of the receipt of funds and the available budget balance to the OSP.

### **5.0 RECORDS**

The appropriate record retention guidelines should be followed for the retention and disposition of documents. Generally, documentation should be maintained for three years following the submission of the final financial report unless the sponsoring agency requires it to be maintained for a longer time period.

**CERTIFICATION OF FIXED-PRICE PROJECT COMPLETION AND  
REQUEST FOR ACCESS TO FIXED PRICE RESIDUAL BALANCE FORM**

**Funding Source:**  Federal  State  Private  Foreign

\_\_\_\_\_  
Name of PI/PD

\_\_\_\_\_  
Date of Request

\_\_\_\_\_ sponsored by \_\_\_\_\_  
FAMU Assigned Project No. Funding Agency

\_\_\_\_\_  
Funding Agency Award/Contract Number

<b>Original Award/Contract Amount</b>	
<b>F&amp;A (Indirect Cost)</b>	
<b>Total Expenditures</b>	
<b>Residual Balance</b>	

**Residual Balance Request Action (check one):**

- Create PI/PDs' Research Support Project and transfer residual balance
- Transfer residual balance to existing PI/PDs' Research Support Project
- Extend PI/PDs' Research Support Project for six months

Fixed Price Residual Balance in excess of 25% of total award/contract amount requires an explanation as to how excessive funds remain while still achieving fixed price statement of work.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**I confirm the following:**

Based on the fixed-price budget awarded by the above funding agency, I certify expenditures on the award/contract number reflect all the costs needed to provide the agency with the required deliverables. I understand that prior to the transfer of any Residual Balance; funds will first be used to recover the following in the order listed below:

