

Middle Tennessee State University

OFFICE OF RESEARCH SERVICES

ORS Procedure 005: Close out of Fixed Price Contracts

Date Approved: March 8, 2010

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- I. Purpose**

To explain the dispensation of residual funds and the responsibility for overages on fixed price contracts.

- II. Procedure**

The administration of fixed price contracts is governed by University Procedure I:01:12, Section VII. The following procedures supplement that procedure.

- III. Conditions**

Fixed price contracts involve financial risk and responsibility for Middle Tennessee State University. The University must complete the contract requirements per the contractor's specifications regardless of the cost of completing the agreement. The university must effectively budget to ensure that the actual cost will match, to the extent possible, the price paid by the contractor.

Expenditures incurred in relation to the performance of a fixed price agreement (salaries, benefits, travel, operating expenses, etc.) must be charged directly against the contract. Contracting agencies know the general cost of completing their specifications, and they maximize value and minimize cost. With proper budgeting and allocation of contract-related expenses, neither a deficit nor an excessive surplus of funds will exist at project completion.

IV. Procedures

Per contract specifications, ORS creates an index number with beginning and ending dates. At the end of a contract, ORS notifies the principal investigator of the upcoming contract end date and asks about relevant extensions concerning the agreement. Principal investigators respond by notifying ORS of project completion or contract extension. Upon verification of completion, ORS sends a closure notice to the Business Office for index termination and contract closeout.

The Business Office completes closing entries per the following scenarios:

- **If contract proceeds exceed total expenditures for completion of an agreement, the unexpended funds will be transferred to the principal investigator's indirect cost index.**
- **If total expenditures exceed contract proceeds, the Business Office will contact the PI and the Department requesting an account number to cover the overage. The accounts may include the principal investigator's department chair's and/or dean's indirect account.**

V. If Costs Exceed the Sponsor's Funding at Project Completion

If costs exceed the sponsor's funding at project completion, Accounting Services will take one or more of the following steps until all project costs are covered:

1. write a memo to the project director requesting an alternative unrestricted fund source to absorb the overrun;
2. move the excess costs to the project director's indirect cost account or other unrestricted accounts under control of the investigator, if funds are available;

contact the Department Chair, Director, Dean, or other contact person at the college level for an unrestricted account to absorb the cost overruns.

Exceptions to this procedure must be approved by the Office of Research Services.

Note: The previous paragraph applies to cost overruns on cost reimbursement awards as well.

VI. If the Sponsor's Funding Exceeds Costs at Project Completion

If the sponsor's funding exceeds project costs, ORS and the Business Office will utilize the following sequence in closing the project account:

1. The PI will forward the request for transfer to the PI's Indirect Cost Account to the Vice Provost for Research and Dean, Graduate Studies for review and approval if the total residual amount exceeds 25% of the total award or \$10,000, whichever is greater;
2. The Business Office will use the excess funds to cover any cost overruns (past, current or future) on other awards for the same PI;
3. The Business Office will charge facilities and administrative (F&A) costs (based on project budget) that had been waived up to the rate specified in the MTSU indirect rate, if applicable;
4. The Business Office will transfer the remaining funds to the PI's indirect cost account to support the ongoing research activity of the PI.