

KENT STATE UNIVERSITY

FIXED PRICE AGREEMENT BALANCE PROCEDURE

Definition

A fixed-price agreement is an agreement where the sponsoring agency pays a firm price for the agreed-upon work, regardless of the ultimate cost to complete the project. There is a level of risk involved in these types of agreements because the institution must complete all work, even if there are cost overruns. However, the institution may retain any unexpended balance that remains after the contracted work is complete.

Similar to other sponsored agreements, the actual costs incurred by the University to provide the goods/services/milestones must be charged to the related sponsored fund (restricted index) in Banner. All costs related to a project must be charged to the sponsored fund at the time the cost is incurred. It is inappropriate for the PI to utilize other university funds to support the project in order to leave a residual balance in the restricted fund at the end of the project.

At the Project End Date

When a fixed price agreement project fund has reached the project end date, the Grant Accountant will confirm with the PI that all deliverables have been met. If deliverables have not been met, the PI must contact the Director of Sponsored Programs to coordinate an extension request from the agency.

If deliverables have been met, Grants Accounting will confirm that the following conditions have been met:

- All outstanding transactions have been posted to the fund
- Final payment from the sponsor has been received and deposited into the sponsored fund

The Principal Investigator (PI) or his/her designee must review the fund and compare the payments received under the agreement to actual expenditures incurred. The University will treat the net financial activity as follows:

- Expenses incurred exceed the total payments received:
This negative residual balance is considered cost sharing for the project and must be absorbed by the responsible unit (department or equivalent).
- Expenses incurred equal the total payments received:
This zero residual balance allows Grants Accounting to close out the fund.
- Total payments received exceed the expenses incurred:
This positive residual balance may be retained.

Retained balances are considered institutional funds. These balances must be utilized to support the University's mission, in accordance with institutional policies. The funds shall not be used for personal or private (i.e., not related to University business) expenses.

If the residual balance is more than 25% of the original award, the PI must submit a justification regarding why there was a significant positive balance remaining in the sponsored fund. This justification will be forwarded to the Director of Sponsored Programs and the Controller for review.

Closing the Fund

Fixed price agreement project funds will be closed out within 1 year after the end date of the project.

Before terminating the fund, Grants Accounting will:

- Ensure encumbrances on the fund are zero
- Collect any remaining indirect costs (F&A). An entry will be prepared by the Grant Accountant to charge the sponsored fund the full budgeted indirect cost rate if it has not already been collected.
- Transfer the residual balance as appropriate

For negative balances (expenditures exceed payments): Grant Accountant will contact the responsible unit for an unrestricted fund number to cover the over expenditures incurred.

For positive balances (payments exceed expenditures): Grants Accounting will transfer the residual balance to the responsible unit fund. The responsible unit may at their discretion transfer the balance to other unrestricted fund(s).

All funds associated with the sponsored project will be terminated.