SPONSORED PROGRAMS: DISPOSITION OF UNEXPENDED BALANCES ON FIXED PRICE CONTRACTS

PURPOSE: To establish policy and procedures that will ensure the timely closure of completed, fixed price contracts for research and research-related services and the disposition of any unexpended balances. This policy is predicated on the principle that Rutgers shall continue to undertake provision of fixed price contract services, at the highest levels of excellence, consistent with Rutgers' research and education missions.

POLICY:

Definition: Fixed price contracts are characterized by payments of predetermined amounts by a sponsor to support a project. The payments are either lump-sum or periodic. They may or may not require an invoice request from DGCA. The payments are not reimbursement for actual project costs, but are predetermined lump-sum payments based on pre-negotiated, fixed unit prices for specific services or a percentage of project completion.

Cost proposals for fixed price contracts should be estimated on a cost basis consistent with Rutgers cost accounting policies. A detailed budget should be prepared for Rutgers review and approval in anticipation of a successful contract application (bid), even if not required by or submitted to the sponsor. Expenses should be budgeted based on anticipated reasonable costs. Budgets should not anticipate revenue to recover expenses incurred prior to the beginning of the project unless those expenses are ongoing during the term of the project. However, individual projects, especially fixed price (per unit) contracts, may have significant research and development costs necessary to maintain a competitive position among potential applicants, pay for infrastructural needs and direct capital equipment purchase and depreciation costs that should be included as a component of the fixed-price proposal. Consistent with state, federal or other law governing the structure of fixed price contracts, Rutgers may also include a reasonable overage in a contract to account for unanticipated cost increases, particularly for long-term contracts, and to cover all or part of general capital or infrastructure costs necessary to maintain the relevant research and research-related capabilities at the state-of-the art.

Costs allocable to the project should be charged to the account as the project progresses in accordance with standard RU cost accounting practices. Cost overruns are the responsibility of the principal investigator/administering unit.

In some instances, unexpended balances may accrue during the course of the conduct of the contract or at the contract's conclusion. This may occur because of efficiencies or economies of scale developed during the conduct of the contract, lower costs of necessary services or supplies, improved managerial performance, or the like. To the extent that such improved performance is achieved with the knowledge, advice and/or consent of the sponsor, and is allowable by governing law, distributions of unexpended balances on the award shall occur as described below.

PROCEDURE:

Closeout of Fixed Price Contracts:
Fixed price contracts have beginning and ending dates, like other sponsored programs. When a fixed price contract terminates and all the terms and conditions of the contract have been satisfied, if the actual project costs are less than the pre-negotiated fixed price agreement, the excess revenue is retained by Rutgers.

In instances where there is a balance remaining greater than 25% of the total award amount, a written statement from the PI must be obtained as to why an unexpended balance remains before any unexpended funds are transferred to the PI's discretionary account.

The closeout and distribution of any unexpended funds will be governed as follows:

1. DGCA will determine that all funds due have been received from sponsor upon expiration of contract.

2. The Principal Investigator must provide written documentation from the sponsor that all contractual requirements have been satisfactorily met. This may take the form of standard (e.g., Federal) contractor evaluations.

3. The Principal Investigator will provide written confirmation to DGCA that all project expenses have been recorded in the account.

4. Once the final balance is determined, DGCA will first impute the F&A component on the total remaining balance and allocate that amount to the university's F&A pool. The remainder of the unexpended balance shall be distributed to the Principal Invetsigator/unit.

In cases in which F&A was waived by the university for the conduct of the contract, or in which a special F&A rate was applied that was less than one-half of the standard F&A rate for that contract category (Federal, state, corporate), then the university will retain one-half of the standard F&A rate on the unexpended balance and distribute the remainder to the Principal Investigator/unit.

In cases in which the F&A rate applied to the contract was more than one-half the standard rate but less than the full rate, the lower negotiated F&A rate will be applied to the unexpended balance and the remainder distributed to the Principal Investigator/unit.

5. The direct costs funds remaining in the fixed price account will then be transferred to an unrestricted account under the direction of the Principal Investigator/Unit for use to support research activities. Expenditures will be allowed from the residual accounts until all funds are expended. Balances of less than $100 will revert to central administration.

Date: August 28, 2012