

Section 16.02

RESIDUAL ACCOUNTS (CLOSING FIXED PRICE GRANTS)

Texas A&M University- Corpus Christi
Research & Scholarly Activity

Fixed Price Agreement Balance Policy
(Effective September 1, 2008)

Fixed price agreements are contracts in which the contractor agrees to deliver or to perform the contract work within the period specified at a fixed price agreed upon in advance and payable regardless of the actual costs. When these projects end, one of the following situations may occur:

- **Negative Balance (expenditures exceed payments):** Expenses incurred exceed the total payments received. This negative residual balance is considered cost sharing for the project and must be absorbed by departmental resources.
- **Zero Balance (expenditures equal payments):** Expenses incurred equal the total payments received, resulting in a zero balance in the account.
- **Positive Balance (payments exceed expenditures):** Total Payments received exceed the expenses incurred. This positive residual balance may be retained, or in certain instances, refunded to the sponsoring agency.
 - Retained balances are considered institutional funds. These balances must be utilized to support the University's mission, in accordance with institutional and/or school policies. These funds shall not be used for personal or private (i.e., not related to University business) expenses.
 - Per TAMUS audit, fixed price agreement project accounts will be closed out within 180 days after the end date of the project by transferring remaining balances to Principal Investigator (PI) residual accounts, unless a one-time extension is approved. By doing so, this allows for the following accounting practices to be adhered to:
 - Timely closeout of the project account.
 - Remaining balance to be transferred to the PI's residual balance account (a local designated account). The residual account does not

require transactions to be reviewed or approved by the Office of Research & Scholarly Activity.

- Residual balance accounts allow for residual balance transfers of other fixed price agreement project accounts to be deposited to the same account.
- Residual balance account funds roll over each fiscal year.

Procedures for Project Account Closeout:

When a fixed price agreement project account has reached project end date, the post award accountant in the Office of Research and Scholarly Activity will confirm with the PI or his/her designee that the following conditions have been met:

- The grant period has ended
- Final payment from the sponsor has been received and deposited against the FAMIS account.
- Encumbrances on the account are zero
- All indirect cost (F&A) budgeted for the project has been expensed.
- All outstanding transactions have been posted to the account.
- All deliverables have been met.

If deliverables have not been met, the PI can submit a one-time extension request to the Director of Research and Scholarly Activity. This extension can be up to 12 months beyond the project end date. Only extension requests with sufficient justification will be approved.

For negative balances (expenditures exceed payments): If all conditions listed above have been met, the post award accountant in the Office of Research & Scholarly Activity will contact the PI or his/her designee for a departmental account number to cover the over expenditures incurred. The post award accountant will submit a request to the Fiscal Affairs accountant for the transfers to be made and to freeze/delete the project account.

For zero balances (expenditures equal payments): If all the conditions listed above have been met, the post award accountant in the Office of Research & Scholarly Activity will submit a request to the Fiscal Affairs accountant to freeze/delete the project account.

For positive balances (payments exceed expenditures):

If all conditions listed above have been met, the post award accountant will perform the following account closeout procedures:

- Verify that the fixed price agreement does not require the funds to be returned to the sponsor. If remaining funds are to be returned to the sponsor, a voucher create form is prepared and submitted to TAMUCC Accounts Payable Department to remit remaining funds to the sponsor.
- Prepare a Fixed Price Residual Closure form to transfer the positive residual balance to the PI's Residual Balance account.
- If the residual balance is more than 25% of the original award, the post award accountant must request a justification from the PI regarding why there was a significant positive balance remaining in the account. Attach this justification to the Fixed Price/Residual Closure Form.
- If the PI does not have a Residual Balance account, a New Account Request form is prepared and attached to the Fixed Price/Residual Closure Form.
- The Fixed Price/ Residual Closure Form is signed by the post award accountant, the Director of Research & Scholarly Activity, and is sent to the Associate Vice President for Finance and Administration for approval and processing.