

June 3, 2003

UNIVERSITY OF MARYLAND BALTIMORE COUNTY
FIXED PRICE CONTRACTS POLICY

Purpose:

The purpose of this statement is to set forth policy and procedures to ensure timely closure of completed, fixed price contracts and the proper disposition of any unexpended balances.

Policy

"Fixed price contracts" referred to here are characterized by payments of predetermined amounts by a sponsor to support a project. The payments are either lump-sum or periodic and may or may not require a payment request from UMBC. Generally, the payments are not on an expense reimbursement basis but on a predetermined lump-sum project cost, often without further accounting. If the project costs are less than the award, the excess revenue is retained by UMBC; cost overruns, in turn, are absorbed by UMBC and the unit responsible for the grant. (if the sponsor does not provide the needed additional funding).

Following contract completion, unspent funds on Fixed Price Contracts will revert to the administrative unit of the principal investigator given the following conditions: (1) all direct charges are properly accounted for, and (2) all indirect costs are captured by the University, and (3) the remaining unexpended balance is not greater than 10% of the total original award. If there were indirect cost waivers, funds will first be used to reimburse the campus for unrecovered indirect costs. In those instances where there has been a cost overrun, the department will assume full responsibility for the overrun.

The Office of Management and Budget (OMB) Circular A-21 that governs university accounting (CAS501) and the University's Disclosure Statement filed with the federal government, require that the University is consistent in estimating, accumulating, and reporting costs for all proposals and subsequent awards. Additionally, to ensure that the University's tax filing status as a non-profit is not placed in jeopardy, no profit can be included into budget estimates.

Procedures

1. Unspent funds from completed fixed price contracts will be transferred to an account of the department's choice following these procedures:

a) If the term of the project has passed, all products including reports have been delivered, and the sponsor has indicated successful completion, then the project is in the closeout period. During this period of not less than 90 days, no unexpended funds may be transferred out.

b) If indirect costs have been reduced or waived, unexpended funds will be used first to reimburse central campus accounts for such costs with the remainder reverting to the department. Overhead will be applied on a TDC basis based on the full federal negotiated rate for all contracts from federal or non-federal sources.

c) All transfers of unexpended balances will be prepared by the Cost Accounting Office in conjunction with Grant Accounting.