

## G&C Notice 17-I

August 25, 2016

### Georgia Institute of Technology Rules Governing Fixed Price Awards and Treatment of Residual Balances

Policies and procedures developed by the Office of Grants and Contracts Accounting are based on the Federal Government's Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements (2 CFR 200). The same general rules are applicable to all award types; 2 CFR 200 references are included below and the full document may be accessed at [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

Individual sponsored awards may contain terms and conditions that are more specific and that are either more or less restrictive than 2 CFR 200. In these cases, the individual award/agreement will be used to determine the allowability of expenses posted directly to the associated sponsored project(s). In all cases, expenses must be accounted for in accordance with applicable GIT operating procedures.

#### **Residual Balances:**

Large residual balances (as a percentage of the award amount) on fixed price awards may indicate the following: 1) defective pricing methodologies, 2) incorrect distribution of costs during the life of the project, 3) profitability and taxability of the services provided. Grants and Contracts (G&C) Accounting staff will initiate contact with department financial officers at the time of the fixed price award end date to coordinate close-out activities, including the appropriate disposition of residual balances.

Immaterial residual balances on fixed price awards may be used to support activities within the school or department by transfer of the residual funds to a pooled sponsored fund/project, in accordance with the Federal requirements noted below.

#### **Close-out:**

Fixed-price projects will be financially closed within 90 days of the stated expiration date of the sponsored agreement in accordance with G&C Policy 3.11 Project Close-out in Grants management System available at <http://policies.gatech.edu/project-close-out-grants-management-system>.

#### **OMB Uniform Requirements (2 CFR 200) References:**

The following information is a summary from the 2 CFR 200 references noted below. Refer to the full text of the document for additional information.

- 200.201(b) "Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts: Fixed Amount Awards"
  - A fixed amount award cannot be used in programs which require mandatory cost sharing or match.

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- Payments are based on meeting specific requirements of the Federal award. Accountability is based on performance and results. The Federal award amount is negotiated using the cost principles (or other pricing information) as a guide.
- At the end of the Federal award, must certify in writing to the Federal awarding agency or pass-through entity that the project or activity was completed or the level of effort was expended. If the required level of activity was not completed, the amount of the Federal award must be adjusted.
- 200.403 “Factors affecting the allowability of costs”  
Costs **must** meet the following general criteria in order to be allowable under Federal awards:
  - Be necessary, reasonable, and allocable for the performance of the award;
  - Conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items;
  - Be consistent with policies and procedures that apply uniformly to all activities; and,
  - They must be given consistent treatment.
- 200.419 “Cost Accounting Standards and disclosure statement”  
The Institute **must** comply with the following four Cost Accounting Standards:
  - CAS 501 requires consistency in estimating, accumulating, and reporting costs;
  - CAS 502 requires consistency in allocating costs incurred for the same purpose;
  - CAS 505 addresses accounting for unallowable costs; and,
  - CAS 506 addresses the establishment of a cost accounting period.

Upon receipt of a completed Firm Fixed Price certification from the PI, Grants and Contracts staff will transfer the amount of the **immaterial** residual balance, net of applicable F&A, to the pooled fund/project established within the accounting records for each school or department. These funds can be used at the discretion of the school chair or department head to meet the needs of the unit (i.e., bridge funding for Graduate Student support, purchase replacement equipment, or repair existing equipment). Material residual balances will be transferred to Institute-level funds in anticipation of refunding to the sponsor.

It is expected that all Firm Fixed Price awards will be managed and financially closed in accordance with the policy noted above and this notice, including GT Professional Education (GTPE) short courses and membership awards. Although, membership awards typically transfer residual balances to existing baseline projects rather than the pooled fund/project in the school or department.