



# UNIVERSITY CORPORATION AT MONTEREY BAY

100 Campus Center Seaside, CA 93955-8001 831/582-3500

## 571-001-E: DISPOSITION OF BALANCES ON FIXED-PRICE AGREEMENTS POLICY

### I. Introduction

This policy establishes the guidelines for the management, reporting, and disposition of balances on fixed-price agreements.

### II. Purpose

The purpose of this policy is to comply with sponsor and university policies and to ensure that residual balances on fixed-price agreements are managed in a manner consistent with the University Corporation's overall missions and goals.

### III. Terms and Definitions

- A. *Fixed-price Agreements*: are defined as agreements that provide for work to be performed to the sponsor's specifications for a fixed dollar amount, regardless of the actual cost of doing the work. With accurate budgeting and cost allocations, neither a deficit balance nor a substantial surplus of funds should exist at the completion of the project.
- B. *Surplus Balances*: are defined as positive cash balances remaining in an agreement's account once all allowable direct costs and the full amount of indirect costs have been charged against the account, consistent with the parameters established in the procedures for closing fixed-price agreement accounts.
- C. *Deficit Balances*: are defined as negative cash balances remaining in an agreement's account once all allowable direct costs and the full amount of indirect costs have been charged against the account, consistent with the parameters established in the procedures for closing fixed-price agreement accounts.

### IV. Policy Guidelines

#### A. *Authority and Responsibilities*

Procedures for closing fixed-price agreement accounts shall be established jointly by the Accounting Office and the Sponsored Programs Office. Fixed-price agreement balances shall be evaluated by the Accounting Office and the Sponsored Programs Office in accordance with the established procedures and all applicable rules and regulations. Authority for determining the final amount of a fixed-price agreement's

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balance resides with the Controller of the University Corporation at Monterey Bay.

**B. *Disposition of Balances***

Fixed-price agreements are generally discouraged because of the financial risk involved in underestimating the actual cost of the services provided. If a deficit balance remains at the end of the agreement, the University Corporation's Repayment of Disallowed/Unallowed Costs Policy shall govern the reimbursement to the University Corporation. If a surplus balance remains at the end of the agreement, the funds shall be allocated according to the following formula, consistent with the procedures for closing a fixed-price agreement account:

80% to the Dean of the College, Division AVP, or VP  
as appropriate

20% to general University Corporation support

**V. Adoption and Review**

A. The University Corporation's Board of Directors has adopted this Disposition of Balances on Fixed-price Agreements Policy, dated 7 December 2000.

1. Revised 20 February 2003
2. Revised 24 June 2010
3. Revised

B. This policy shall be evaluated ten years from its adoption date to determine its effectiveness and appropriateness. The policy may be evaluated before that time as necessary to reflect substantial organizational, financial, or physical change(s) at the University Corporation or any change required by law or by other governing policy.

Any proposed amendments or variations of this policy would require a majority approval by the Corporation Board of Directors.

**VI. Related Documents**

- A. 531-009-A: Repayment of Unallowed/Disallowed Costs Policy
- B. Procedures for closing fixed-price agreement accounts