Fixed Price Agreements

**FIXED PRICE AGREEMENTS**

Fixed price agreements are defined as agreements for which the sponsor provides a set price for the work. Fixed price awards are usually established as contracts with scheduled payments.

**Characteristics**

Fixed price agreements normally have the following characteristics:

- Are similar to purchase orders for delivery of work products, e.g., containers of chemicals or computers.
- Are routine in nature
- Include a well-defined statement of work
- The outcome is relatively certain
- The failure rate is nearly zero
- The University bears the risk that a routine project may incur costs which are higher than the set price and that the University would have to cover those costs.
- Are normally short term in nature, e.g., less than one year
- The costs are normally known

**Processing Facilities and Administrative Costs**

Principal investigators (PIs) and administrators are expected to request the full facilities and administrative (F&A) rate for on-campus or off-campus activities related to sponsored projects under fixed agreements, in accordance with *BPPM 40.23 and 40.25.*

Upon completion of a fixed price agreement, the applicable federally-approved F&A cost rate is applied to the *cash balance,* i.e., any funds remaining after completion of the project. Facilities and administrative costs are distributed according to established University policies. See *BPPM 40.09, 40.23, 40.25,* and *Executive Policy Manual EP2.*

**Distribution of Residual Balance**

Any funds remaining after the F&A costs are applied to the cash balance are referred to as the *residual cash balance.* Sponsored Programs Services (SPS) distributes the residual cash balance based upon the following conditions:

- All required technical reports have been filed with the sponsor.
- The sponsor has indicated that the work is acceptable.
- The full amount of the agreement has been collected from the sponsor.
Fixed Price Agreements

*Conditions Met Within Six Months*

If all three of the distribution conditions listed above are met within six months of the agreement end date, the residual cash balance is first used to offset any uncollectible accounts for which the PI was the project director.

Sponsored Programs Services distributes any remaining residual amount as follows:

- If the remaining residual amount is less than 50 percent of the total project revenue, SPS transfers the residual amount to the departmental fixed price consolidation account.

  Use of the funds may be predetermined by agreement between the department chair and the PI.

- If the remaining residual amount is greater than 50 percent of total project revenue, the PI must provide a written justification to the Vice Provost for Research as to the need for a residual of that magnitude.

  The Vice Provost for Research may do one of the following:

  - Approve the retention of the entire residual in excess of 50 percent.
  - Approve retention of a portion of the residual in excess of 50 percent.
  - Disapprove retention of some or all of residual in excess of 50 percent.

  Sponsored Programs Services transfers any allowed portion of the residual to the department's fixed price consolidation account. Sponsored Programs Services establishes an account for the Office of Research under program 13Z or 14Z and transfers any disallowed portion of the residual to this account.

*Conditions Not Met Within Six Months*

If all three of the distribution conditions listed above are not met within six months of the agreement end date, SPS establishes an account for the Office of Research under program 13Z or 14Z and transfers the entire residual balance to this account. Sponsored Programs Services then closes the departmental account. The Office of Research uses the funds to support a variety of research initiatives.