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
- Itemized budgets are not included

**Processing Facilities and Administrative / Indirect Costs**

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

Upon completion of a fixed price agreement, Sponsored Programs Services (SPS) applies the applicable F&A/indirect cost rate to the cash balance, which reduces the remaining total of funds available. F&A/indirect costs are distributed according to established University policies. See BPPM 40.09, 40.25, and Executive Policy Manual EP2.

**Distribution of Residual Balance**

Any funds remaining after the F&A/indirect costs are removed from the cash balance are referred to as the _residual cash balance_. SPS may distribute the residual cash balance as described below, if all of the following conditions are met:
Fixed Price Agreements

Distribution of Residual Balance (cont.)

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

Conditions Met Within 90 Days

If all three of the conditions listed under Distribution of Residual Balance are met within 90 days of the agreement end date, the residual cash balance is first used to offset any uncollectible or overdrawn accounts for which the principal investigator (PI) was the project director.

Sponsored Programs Services (SPS) distributes any remaining residual amount as follows:

- If the remaining residual amount is less than $10,000 and 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 or greater than $10,000, the PI must provide a written justification to the Vice President for Research (VPR) and the Vice President for Finance and Administration (VPFA) as to the need for a residual of that magnitude. The VPA and VPFA or their designees may:
  - Approve the retention of the entire residual in excess of 50 percent/$10,000;
  - Approve retention of a portion of the residual in excess of 50 percent/$10,000 and dictate where the remaining portion is to be directed, including a refund to the sponsor; or
  - Disapprove retention of the entire residual in excess of 50 percent/$10,000 and dictate where the remaining portion is to be directed, including a refund to the sponsor.

SPS transfers the residual to the account(s) specified by the VPR and VPFA.
## Fixed Price Agreements

**Conditions Not Met Within 90 Days**

If all three of the conditions listed under Distribution of Residual Balance are not met within 90 days of the agreement end date, SPS transfers equal shares of the residual cash balance to an account identified by the VPR and an account identified by the VPFA regardless of whether the remaining funds exceeded 50 percent or $10,000. SPS then closes the departmental account. There is no recourse or appeals process for accounts that do not meet the conditions listed under Distribution of Residual Balance within 90 days of the project end-date.

**Use of Retained Residual Balances**

The Office of Research uses the funds to support a variety of research initiatives. The Office of Finance and Administration uses the funds to reduce the fiscal burden of uncollectible sponsored receivables, treasury offset, etc.