

## **Sponsored Programs Fixed Price Agreement Policy**

### I. Purpose

This policy establishes requirements for set up, administration and close out of fixed price agreements.

### II. Definition

Fixed price agreements are defined as agreements for which the sponsor provides a set price for the work; usually, fixed price awards are contracts. Payments are typically set out in a milestone/payment schedule.

### III. Set Up and Administration of Fixed Price Agreements

Fixed price agreements are considered more risky than cost reimbursement agreements. Most fixed price agreements are contracts and are therefore not considered financial assistance awards such as grants or cooperative agreements. The statement of work is usually divided into milestones and payment is dependent upon satisfactory completion of the milestones. Additionally, if the amount budgeted for the project is not enough to complete the work, the university cannot request additional funds from the sponsor. Therefore, overruns must be covered by the university.

It is the university's policy that sponsors provide as much advance funding as possible for fixed price agreements. It is preferable to request 50% of the budget in advance. The remainder of award funding should be provided on a monthly or quarterly basis through a milestone/payment schedule.

Project accounts for a fixed price projects will be set up for only the amount advanced by the sponsor in most cases. However, should the Dean of the principal investigator agree in writing to cover potential overruns or uncollectible receivables on a project, OSP may set up a project account for more than funds advanced by the sponsor with approval from the Vice President for Research.

### IV. Responsibility

**Principal Investigator:** It is the responsibility of the Principal Investigator and his/her department/unit and college to ensure that fixed price budgets are sufficient to cover all project costs. Budgets should be consistent with the amount necessary to perform the work and should not be inflated above that amount. The PI should work with OSP to ensure that budgets will cover all project costs, including facilities and administrative costs. The PI must also charge all project costs to the account number established for the project.

**Office of Sponsored Programs:** It is the responsibility of OSP to review fixed price budgets for compliance with sponsor and university requirements.

## V. Fixed Price Overruns and Remainders

Upon project completion or termination, any deficit or surplus balance must be moved to a non-sponsored project account.

### A. Deficits

When project costs exceed the funds available for the project at completion or termination, OSP will notify the Principal Investigator of the overrun and request an unrestricted department or college account number to cover the costs.

If the Principal Investigator does not respond with an account number within thirty (30) days, OSP will transfer the overrun to the Principal Investigator's Facilities and Administrative costs account (if any) or the department/college Facilities and Administrative costs accounts if the individual Principal Investigator's account is not sufficient to cover the overrun.

If invoices are not paid by the sponsor resulting in uncollectible receivables, the resulting deficit, if any, will be treated as noted above. If collection attempts are successful, the debited Facilities and Administrative costs account will be credited.

### B. Surpluses

If funds remain after project completion or termination, OSP will follow the process outlined below:

1. Deduct funds equal to the current applicable facilities and administrative rate from the remainder;
2. Cover uncollectible receivables, if any, on sponsored projects under the PI's direction;
3. Deduct a 10% fee to cover other uncollectible receivables on sponsored programs accounts;
4. Transfer the remaining balance to an unrestricted account as directed by the PI (or to a pool account set up for the college or department).