

UNLV Office of Sponsored Programs Fixed Price Agreement Policy

Purpose

To establish requirements for set up, administration, and close out of fixed price agreements.

Definition

A fixed price agreement is an agreement whereby the contractor pays a firm price for the agreed upon work, regardless of the ultimate cost to complete the project.

Background

Accepting fixed price agreements involve a degree of risk because the university must complete all work, even if there are cost overruns. Therefore, Principal Investigators (PI's) must budget carefully to ensure that the funds received from the sponsor are sufficient to cover the actual project costs.

Fixed Price agreements also present the university with issues related to deficit and surplus balances. Upon project completion or termination, any deficit or surplus balance must be moved to a non-sponsored account. However, a review of large unexpended balances and overages may be required in accordance with federal regulations found in Cost Accounting Standard 9905.501 (Appendix A of OMB Circular A-21 <http://www.whitehouse.gov/omb/circulars/>), which addresses consistency in estimating, accumulating, and reporting costs. The regulation states in part:

“With respect to individual sponsored agreements, the consistent application of cost accounting practices will facilitate the preparation of reliable cost estimates used in pricing a proposal and their comparison with the costs of performance of the resulting sponsored agreement. Such comparisons provide one important basis for financial control over costs during sponsored agreement performance and aid in establishing accountability for costs in the manner agreed to by both parties at the time of agreement. The comparisons also provide an improved basis for evaluating estimating capabilities.”

To ensure A-21 compliance, UNLV must review fixed price contracts that show a significant deviation between proposed costs and actual expenditures at project completion. Ideally, accurate budgeting (forecasting) and charging of costs should result in circumstances where there is neither a deficit nor a substantial surplus of funds at project completion.

Set Up and Administration of Fixed Price Agreements

Due to the inherent risk involved, it is the university's policy that sponsors provide as much advance funding as possible for fixed price agreements. While flexibility is necessary dependent upon many factors, including the sponsor, industry standards, and type of work being performed, it is preferable to request 50% of the budget in advance. The remainder of award funding can be provided on a monthly or quarterly basis or through a milestone completion schedule. Other

procedures, including, but not limited to, requiring risk accounts, may also be implemented to mitigate situations involving substantial risk.

Responsibility

Principal Investigator: The PI must ensure at the outset that fixed price budgets are sufficient to cover all project costs. Accurate forecasting is necessary, and budgets should be consistent with the anticipated amount necessary to perform the work. 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 related project costs to the account established for the project.

Office of Sponsored Programs: OSP reviews all budgets for compliance with sponsor and university requirements, and OSP negotiates and executes all contracts and agreements related to sponsored programs. OSP also invoices and verifies payments are received for all sponsored programs and coordinates the closeout process.

Fixed Price Deficit and Surplus Balances

Surplus Balances Procedures

1. The PI must complete the Certification of Fixed Price Project Completion Form (Attached)
2. Prior to a transfer of any residual balance, funds will first be used to recover the following, in the order listed below:
 - a. The full federally-negotiated research Facilities and Administrative (F&A) rate which was in place at the time the project was initiated will be collected on the residual and allocated according to the current distribution method.
 - b. Uncollectible receivables and deficits, if any, on sponsored projects under the PI's direction.
 - c. A 10% administration fee to help offset additional administrative activities.
3. Balance Transfers will be processed as follows after the above distributions have been applied:
 - a. Balances which are 25% or less of the funded amount will be transferred to an unrestricted university account as directed by the PI (or to a pool account set up for the college or department).
 - b. Balances that exceed 25% must be reviewed prior to transfer. The Certification of Fixed Price Project Completion Form with an accompanying explanation of the variance between the project budget and the actual amount expended will be reviewed to determine if the variance is reasonable and appropriate.
 - i. If documentation is reasonable and appropriate, the balance will be transferred to an unrestricted university account.

- ii. If documentation is not sufficient to justify the residual, the remaining balance will be distributed in accordance with established ratios associated with returned F&A*.

*Handling residual balances in this manner reinforces the importance of accurate forecasting and appropriately charging related expenses to the appropriate project and is consistent with the university's nonprofit mission.

Deficit Balances

1. Deficit balances will be covered by college/department accounts.
2. When project costs exceed the funds available for the project at completion or termination, OSP will notify the PI of the overrun and request an unrestricted department or college account number to cover the costs. The Dean and Chair/Director will also be notified so they are aware of the situation.
3. If the PI does not respond with an account number within thirty (30) days, OSP will transfer the overrun to the PI's Facilities and Administrative cost account (if any) or the department/college Facilities and Administrative cost accounts if the individual PI's account is not sufficient to cover the overrun. OSP will communicate with the Dean/Chair/Center Director before any transfer occurs if it impacts any account other than the PI's individual account.
4. 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 cost account will be credited.

Closeout

1. If the deliverables have been met and the institution has collected the funds, fixed price awards will be closed within 90 days after the end date of the award. This practice is consistent with other types of awards.

UNLV
Certification of Fixed Price Project Completion Form

I certify that all project objectives have been successfully completed and all appropriate direct costs have been charged to the project.

_____ sponsored by _____
Account No. Agency

Based on the budget awarded by the agency, I certify expenditures on the grant/match account numbers reflect all the costs needed to provide the agency with the required deliverables. The budget on this fixed price project is \$_____, the expenditures total \$_____ leaving a residual balance of \$_____. The unrestricted account number to move residual funds to is _____.

I understand that prior to the transfer of any residual balance, funds will first be used to recover the following, in the order listed below:

- The full federally-negotiated Facilities and Administrative (F&A) rate will be collected on the residual and distributed according to the current distribution method.
- Non-payments and deficit amounts on other awards I administer will be covered.
- A 10% administration fee to help offset additional administrative activities.

Any balance remaining (after the above) which is 25% or less of the funded amount will automatically be transferred to the unrestricted account specified above.

Any balance remaining (after the above) which is over 25% of the funded amount can only be transferred upon review and approval of this form and the accompanying explanation of the variance between the project budget and the actual amount expended.

Principal Investigator

Date

To the best of my knowledge the PI on this fixed price project has provided the agency with the required deliverables and all appropriate expenditures have been applied correctly.

Department Chair

Date

Dean

Date

Submit Form To: Office of Sponsored Programs. Attach explanation for residuals over 25% of the funded amount.