URI Fixed Price Agreement
Procedure

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**Fixed-price agreement** is an agreement where the contractor pays a firm price for the agreed-upon work, regardless of the ultimate cost to complete the project. There is a level of risk involved in these types of agreements because the institution must complete all work, even if there are cost overruns.

However, the institution may retain any unexpended balance that remains after the contracted work is complete.
Characteristics of a Fixed-Price Agreement

- similar to purchase orders where a work product is delivered, i.e. container of chemicals or a computer;
- routine in nature;
- well defined statement of work;
- outcome is relatively certain;
- failure rate of next to zero;
- University bears the risk that if a routine project does not come within the “costs”, University has to cover those costs;
- normally short-term in nature (< 1 year); and
- costs are normally known
OMB Circular No. A-21 “Principles for Determining costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions” is the guide to determine the allowable costs on the fixed-priced agreements.

Use of A-21 at the proposal stage will ensure that cost estimates are comparable to budgeting procedures used with other University agreements and will provide a basis for determining the reasonableness of the total price.
Fixed price agreements are defined at FAR 16.202-2 as those “contracts suitable for acquiring commercial items or for acquiring other supplies or services on the basis of reasonably definite functional or detailed specifications when the contracting officer can establish fair and reasonable prices at the outset” (i.e., estimating costs).

Many fixed-price agreements incorporate FAR clauses, which need to be thoroughly reviewed to ensure the University can reasonably comply with them (Formulating and Monitoring the Fixed-Price Agreement sections).
Formulating & Monitoring Fixed-Price Agreement

• Cost structure and payment schedule provides for sufficient funding and cash flow for the project
• Scope of work and schedule of deliverables/outcomes should avoid ambiguous language, be specific about the outcomes anticipated and deadlines
• Fixed-price agreements carry F&A costs consistent with the University’s rate policy on F&A cost and have a project end date equal to the date of delivery of good/service (longer if warranties are present) in the agreement
• Actual expenditures should be incurred in a manner consistent with the budget, during the period of performance outlined in the agreement.
To close out a fixed-price agreement all project activity must be completed.

- completion of all deliverables required;
- all costs in fulfilling the requirements of the award have been charged to the account;
- the receipt of full payment from the sponsor;
- the F&A costs have been recovered at the University’s current federally negotiated rate to the extent funds are available.
Old Process Fixed Price Agreement

• URI does not have a formal procedure\policy for Fixed Price Agreements
• Fixed Price agreements are usually grant, Fund 500
• In PeopleSoft the grants has an end date of 6/30/2029
• If there is a deficit on fixed price agreement, the department/college must absorb deficit in Fund 110.
• If surplus, Principal Investigator (PI) can charge research related expense to grant in Fund 500.
  – Office Sponsored Projects must approve all expenditure
  – F&A is calculated as expenses are incurred, if applicable
  – F&A Revenue is distributed according to URI Overhead Policy
  – Grant remains open until all funds are expended
New Process based on Fixed Price Agreement Procedure

• URI Fixed Price Agreement Procedure is effective 3/13/13

• Fixed Price agreement in Fund 500 - end date of project will be scheduled completion or delivery date

• Close-out of grant will be 90 days (same as all other grants)
  – Deficit - must be absorbed by department/college in Fund 110 (no change)
  – Surplus, should be minimal & reasonable. URI defines reasonable as 10% or less
    • Full F&A will be calculated on agreement based on current budget
    • F&A Revenue is distributed according to URI Overhead Policy
    • Remaining surplus will be transferred to PI Fund 110 (new)
1. Full F&A will be calculated on agreement based on current budget. F&A Revenue is distributed according to URI Overhead Policy.

2. Remaining surplus will be transferred to Fund 110
   – recorded to chartfield string where departmental overhead is recorded or as identified by department/PI

3. Fund 110 can be used for research related expenditures as needed. Expenditures will not need to be reviewed and approved by Office Sponsored Projects.
Example Surplus Allocation

• A fixed agreement in the amount of $30,000 was invoiced and collected in full by the project end date.

• The cost of the agreement includes salary & benefits and supplies totally $19,610.

• The F&A rate on the project was the University negotiated rate and budgeted at $10,390.

• A total of $17,000 in expenditures was incurred and the full F&A of $10,390 is applied, leaving a surplus of $2,610.

• Surplus of $2,610 would therefore be distributed to the department/PI Fund 110 chartfield string.
Benefits of New Procedure

- URI gross revenue on agreement will be recognized in Fiscal Year it was earned as required by Generally Accepted Accounting Principles (GAAP).

- URI will be following best practices.

- Eliminate Deferred Revenue on unclosed fixed price agreements.

- F&A Revenue is recorded and earned when the fixed price agreement is completed and project is closed out. F&A allocated by URI Overhead Policy in timely manner.

- Fixed Price agreements will be closed within 90 days of completion instead of remaining open indefinitely.
Benefits of New Procedure (cont.)

• Office Sponsored Projects – will not have to review or approve additional expenditure on “open” (or surplus) fixed price agreement balances. Future expenditure will be in Fund 110.

• PI will be able to expend surplus balances in Fund 110 on research related expenditures as needed.

• Expenditures (from surplus) of fixed price agreement do not have to be reviewed and approved by Office of Sponsored Projects.

• Sponsored & Cost Accounting office will not need to monitor activity and deferred revenue.