

Fixed-Price Contracts

Payment for a fixed-price contract is based on successfully providing the goods or services agreed to in the contract. A fixed-price contract is not adjusted when it actually costs more or costs less to complete the project than the price initially agreed upon. One of the greatest benefits of fixed-price contracts is the reduced amount of administrative burden for the University and the funding agency.

It is very important that all fixed-price contracts be clearly identified as such in the written agreement.

All projects costs, including indirect costs, are to be charged to the contract/grant FOP. Indirect costs, at Federally-approved rates, should be included in the proposal or contract budget and subsequently charged to the FOP.

In some cases, money may remain in a FOP after a fixed-price project has been completed, all bills have been paid, and all payments have been received from the sponsor. If the University's policies regarding project costs and indirect cost recovery have been met, the University may allow the administering department to use the remaining funds.

In order to do this, a request for extension of the contract/grant FOP should be sent to the Office of Sponsored Programs. This request should state that the project has been completed. If more than 10% of the funds remain after completion, please explain why they were not needed. If the full recovery rate for indirect costs had not been used previously, adjustments will normally be made to recover those costs; that is, additional indirect costs will be charged to the FOP. Any additional expenditures will be subject to the full indirect cost rate. This policy will be followed consistently for all fixed-price contracts.

Completed Fixed-Price FOPs.

When fixed-price FOPs are completed and all payments have been received, sometimes a cash balance remains in the FOP. The University's policy provides that under certain circumstances, the end date will be changed to "indefinite" and the responsible department can spend the remaining funds on related expenditures. After most of the funds are expended, some FOPs with very small balances remain open for several years. Contracts and Grants Accounting periodically notifies departments regarding completed Fixed-Price FOPs with small balances and requests that they close out the FOPs as soon as possible; however, many of these FOPs remain on the accounting system for years.

Contracts and Grants Accounting will now be authorized to close out FOPs with balances less than \$100 which remain 60 days after notification. The department responsible for the FOP will forfeit the balance.