Sacramento State
Office of Research, Innovation & Economic Development

University Enterprises, Inc.
Sponsored Programs Administration

Guidelines	Fixed-Price Contracts
Effective Date	January 1, 2017
Updated	October 2018

Definition and Responsibilities:

A fixed-price contract is an agreement for services that are performed for an agreed-upon dollar amount. When a contract's price is fixed, the service provider bears the financial risk of unforeseen costs that may arise during the contract period. The contract amount or amount per deliverable should be appropriate to support the specified services/activities and expenditures supported by these funds must be allocable and allowable. The Principal Investigator (PI) (and potentially his/her department or college), or the Academic Center or Institute (if applicable), assumes the risk and full responsibility for ensuring costs that exceed the agreement amount are covered via a discretionary or other similar account.

Application:

An agreement may be negotiated as a fixed-price contract when the contracting entity and PI agree to this method. Invoicing and payment terms should be negotiated to minimize the financial risk to UEI of incurring significant costs before initial payment is received. Payment terms may vary depending on length of the project period and total price of the contract. Where appropriate, an up-front payment at contract execution or work initiation may be required in order to offset early project costs. Potentially high-risk payment terms must be discussed with the UEI Sponsored Programs Administration (SPA) Director at the negotiation stage.

Requirements:

The PI must work with the Office of Research, Innovation, and Economic Development (ORIED) to develop a scope of work and detailed line-item budget during the proposal stage, identifying the contract as fixed-price on the Proposal Approval Form. To ensure consistent treatment of costs across all sponsored projects, in accordance with Federal regulations, a project budget that reflects estimated actual costs is required for internal purposes. Project budgets prepared for internal use must include sufficient detail to provide verification that all costs included are allowable and based upon normal university rates and policies. The budget must also include recovery of institutional facilities & administrative (F&A) costs applicable to the type of project and in accordance with the University’s federally negotiated rate. F&A rate exceptions must be approved by the Associate Vice President of Research, Innovation, and Economic Development during the proposal process.

The detailed budget will be utilized during the administration of the project, allowing line item budget flexibility except as between direct and F&A costs.

Upon project completion, the PI will certify in writing that all project expenditures have been posted to the account and that all deliverables have been submitted to the funder.

Residual funds will be transferred to a UEI University Support Programs account specifically established to accept residual funds for the PI, department, or center/institute. F&A will be assessed on the residual funds as follows:

1. On the amount of residual less than 10% of the contract amount, F&A will be assessed at the F&A rate indicated on the internal budget or 25%, whichever is higher.
2. On the amount of residual equal to or more than 10% but less than 25% of the contract amount, F&A will be assessed at the University's federally negotiated on-campus rate.
3. On the amount of residual equal to or greater than 25% of the contract amount, F&A will be assessed at the University's federally negotiated on-campus rate and will also include recovery of F&A up to the federally negotiated rate applied to all direct expenses and total residual.

Additionally, if the residual funds are greater than 25% of the contract amount, an account review will be performed by the Sponsored Programs Administration (SPA) account analyst to ensure full and appropriate cost accounting. The PI must provide a written explanation for the significant decrease in costs compared to the original estimated budget. The review and explanation will be forwarded to the SPA Director for consideration and subsequent action in consultation with the PI, the Dean, and AVP for ORIED.

Exceptions to the assessment of F&A on residual as outlined above must be approved by the AVP for ORIED prior to execution of the agreement.

Residual funds are to be used to further professional and scholarly activities of the PI and his/her department/college and must be spent in accordance with the purpose and expenses outlined in the UEI Request to Establish Account form. PIs are encouraged to use residual funds to compensate students assisting with the research and on research supplies.

If project expenses exceed the contract amount, the PI, college or department (or administrative unit) must cover the loss from an appropriate UEI account or University fund. In recognition of this requirement, for all fixed price agreements, the relevant Dean or Division Vice President will be notified of the contract details and provided with a copy of the Fixed Price guidelines prior to contract execution.

Losses on a fixed price agreement cannot be included as recoverable costs in a center or institute's billing rate calculation.