Fixed Price Contracts Guidance

Purpose

This document provides precan call into question the accuracy of UNE's costing practices, and/or its accounting for and recording of costs related to a project.

Federal Acquisition Regulation (FAR) defines it as "A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss, (FAR 16.202-1)."

Characteristics of a Fixed-Price Agreement

Fixed-

The principal investigator must not begin any research until these approvals are obtained, and the contract is fully executed.

The cost structure and payment schedule for the fixed price agreement shall provide for:

- Sufficient funding for the project;
- Careful planning and timing of receipt of funds;
- Use of simple and clear wording in the compensation clause; no room for interpretation; and
- Sufficient cash flow to keep the project on track.

The scope of work and schedule of deliverables/outcomes shall:

- Not make promises the Principal Investigator or UNE can't deliver;
- Refrain from guaranteeing certain results and will instead use language such as "best efforts";
- Avoid ambiguous language – be specific about the outcomes anticipated;
- Not agree to completion or reporting deadlines that the PI or the University Post Award Grants Management

received, and charges to fixed price accountsshall reflect all actual effort and related costs incurred.

payment. If the terms are not met as required, payment may be refused. If a liability is incurred for violation of the contract terms, then the Principal Investigator or the department will reimburse the appropriate account for the disallowance. Therefore, it is vitally important that all parties comply with the conditions set-forth in the fixed-price agreement

Sponsor Approvals of Budget Deviations: While standards for developing cost principles are applied by the University for both fixed-price and cost-reimbursable grants and contracts, budget approval requirements identified in the federal regulations OMB 2 CFR 200 will not apply to awards for fixed-price contracts. A fixed-price contract by definition is not subject to any adjustment on the basis of the University's actual cost experience (FAR 16.202-1), and therefore, costs incurred are not subject to prior approvals by the Sponsor.

Once the University agrees to a fixed price award, it must produce the deliverables within the required time frame regardless of the actual cost

distribution between PI/College/Central/Center (as applicable) at the