FIXED-PRICE AGREEMENTS POLICY

Statement of Policy
Policy established to outline the administrative requirements for formulating, monitoring, and closing-out fixed-price agreements.

Summary of Contents/Major Changes: Policy placed in template.

Responsible Office and Responsible Enforcement Official: Office of Vice President for Research, Vice President for Research

Classification:

☐ Board of Trustees Policy
✓ Board-delegated Policy

Categories:

Research and Intellectual Property

History:

a. Effective date of current version: Oct. 1, 2019
b. Date first adopted: November 2003
c. Revision history: Sept. 2011, March 2017
d. Proposed date of next review: Oct. 1, 2022
1. **Purpose of Policy**
Policy established to outline the administrative requirements for formulating, monitoring, and closing-out fixed-price agreements.

2. **Stakeholders Most Impacted by the Policy**
This policy applies to all personnel (employees, faculty, students, research staff, contractors and collaborators) engaged in research, projects, activities conducted under the auspices of Western Michigan University whether the activities are conducted on or off campus.

3. **Key Definitions**
   3.1. **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.

4. **Full Policy Details**
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. The Principal Investigator should work through the Office of the Vice President for Research during the planning stages of contract development and negotiation to ensure the accuracy of the contract terms and conditions.

   4.1. **Characteristics of Fixed-Price Agreement**
   Fixed-price agreements will typically have the following characteristics:
   4.1.1. are similar to purchase orders where a work product is delivered, i.e., container of chemicals or a computer;
   4.1.2. are routine in nature;
   4.1.3. have a well defined statement of work;
   4.1.4. the outcome is relatively certain;
   4.1.5. have a failure rate of next to zero;
   4.1.6. the University bears the risk that a routine project does not come within the “costs” and the University has to cover those costs;
   4.1.7. normally short-term in nature (less than 1 year);
   4.1.8. costs are normally known; and
   4.1.9. costs include all fringe benefit costs and the appropriate facilities and administrative (F & A) costs.

   4.2. **Monitoring and Close Out of the Fixed-Price Agreement** is the responsibility of the Principal Investigator to properly monitor the timing of tasks, deliverables, and final reporting of results.
   4.2.1. **Residual Balances**
   If there is a residual balance in the fixed-price account, any uncollected F & A will first be recovered from the balance by WMU. The remaining balance minus any F & A will be transferred to the fund and cost center designated to
the Principal Investigator’s research discretionary account (i.e. WRAP account) unless the project was initiated as part of a research center and will be designated to that center in writing at the time of contract execution following any required approvals.

4.2.2. Cost Overruns
If there is a cost overrun in the fixed-price account, the amount must be covered by the Principal Investigator and/or department.

4.2.3. Non-Receipt of Sponsor Funds
If the sponsor does not pay in full, the Principal Investigator and/or department must cover the deficit amount.

4.3. Implementation/Communication

5. Accountability
If there is a cost overrun in the fixed-price account, the amount must be covered by the Principal Investigator and/or department. If the sponsor does not pay in full, the Principal Investigator and/or department must cover the deficit amount.

6. Related Procedures and Guidelines
Fixed-Price Agreement Procedures
WMU Research Acceleration Program (WRAP) Procedure

7. Additional Information

8. FAQs

Related Policies:
WMU Research Acceleration Program (WRAP) Policy

References:
OMB Uniform Guidance 2 CFR 200 (UG)
Federal Acquisition Regulation (FAR)

CERTIFIED BY:
DIRECTION OF
Board of Trustees, President, or VP

/s/
Vice President for Research Office of the Vice President for Research
Date