Cost Reimbursable vs. Fixed-Based Agreement Types

Julia Zhu, Contract & Grant Officer
UCLA Office of Contract & Grant Administration
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Key Concept

Awardee is reimbursed for actual allowable, allocable and reasonable project costs in line with the approved budget.
Cost Reimbursable Agreements

- Most common in sponsored research agreements
- Suitable for research and development work, when the work is exploratory, focused on expanding knowledge
- Payment
  - Not conditioned upon successful outcome of research results
  - Triggered upon submission of invoices and completion of progress reports
- Sponsor Monitoring
  - Relies on the awardee to make good faith effort to further project goals within the total agreement amount
  - Utilizes progress reports documenting the technical progress of the project in conjunction with detail financial reports
- Invoice
  - Invoicing frequency is set forth in the award agreement (e.g., monthly or quarterly)
  - Invoice reqs (e.g., each invoice shall include current and cumulative costs (including cost sharing), breakdown by major cost category, award number, and certification, in accordance with Uniform Guidance 2 CFR 200.305.)
- Requires periodic review of project costs
- Always be prepared to justify in detail the actual incurred project costs
Fixed-Based Agreements

Key Concept
Pre-set fixed payments contingent upon completion of deliverables as required in the agreement, regardless of actual costs

Fixed Price vs. Fixed Amount vs. Fixed Rate

- **Fixed Price**
  - A FAR term (see FAR Subpart 16.2). The Federal Acquisition Regulation (FAR) regulates federal contracts.

- **Fixed Amount**
  - A UG term (see Uniform Guidance, 2 CFR §200.201, which governs federal grants and cooperative agreements)
  - The term “Fixed Amount” is used in FDP agreements
  - The total value of the award is negotiated upfront – both the unit price and the total # of units are known

- **Fixed Rate**
  - Generally refers a dollar amount per unit (e.g., per subject payment schedule in clinical trials)
  - Not a contract type listed in the FAR, but listed in the NIH Grants Policy Statement (8.1.2.11)
  - See NIH Clarification (NOT-OD-18-222) – Fixed Rate: unknown # of units
Fixed-Based Agreements

- Payment
  - Contingent upon completion of project deliverables, not tied to actual incurred project costs
  - The sponsor is not obligated to pay specified amounts due to incomplete or delayed work
  - The awardee only receives the contracted amount, even if the actual expenditures to meet the deliverable exceed this amount; residual balances should remain with the awardee, but remember the importance of budgeting properly

- May be appropriate when deliverables/milestones are well-defined, cost estimate is solid, and funding will sufficiently cover all project expenses

- Fixed-based agreements will have a payment schedule instead of a detailed budget and should include specifics on the deliverable and corresponding payment amount

- Milestone payment amounts shall be inclusive of applicable F&A costs

- Invoice
  - Triggered by completion of milestones/deliverables
  - Does not include details of expenses, but rather the deliverable completed and milestone payment amount

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Differentiating Between Agreement Types

<table>
<thead>
<tr>
<th></th>
<th>Cost Reimbursable</th>
<th>Fixed-Based (Fixed Price/Fixed Amount/Fixed Rate)</th>
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</thead>
<tbody>
<tr>
<td><strong>SOW/ Deliverables</strong></td>
<td>Flexible requirements subject to sponsor's prior approval</td>
<td>Changes in sponsor requirements not expected</td>
</tr>
<tr>
<td><strong>Rebudgeting</strong></td>
<td>Prior approval may be required</td>
<td>No restriction, flexible</td>
</tr>
<tr>
<td><strong>Carryforward</strong></td>
<td>Prior approval may be required</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Payment Trigger</strong></td>
<td>Financial reporting &amp; progress reports</td>
<td>Completion of deliverables/milestones</td>
</tr>
<tr>
<td><strong>Award Agreement</strong></td>
<td>Detailed budget cost categories</td>
<td>Milestone/Deliverable Payment Schedule or Rates Schedule</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td>Expenses can be audited</td>
<td>Whereas project expenses generally shall not be audited, applicable cost principles shall be followed when estimating project costs</td>
</tr>
<tr>
<td><strong>Residual Balances at Project End</strong></td>
<td>Not applicable unless when funding is advanced, remaining funding shall be returned to sponsor</td>
<td>Usually retained by awardee, subject to awardee's residual balance policy. Fixed-based agreements shall not be utilized to seek profit. Substantial residual balances - red flag! Could jeopardize the non-profit/educational institution's non-profit, tax-exempt status.</td>
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## Agreement Types

<table>
<thead>
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<th>Common Characteristics</th>
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<tr>
<td></td>
<td>Estimated costs shall be consistent with the applicable cost principals (federal cost principals: allocable, allowable, reasonable, and consistently charged), sponsor requirements, and institutional policies</td>
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<td>Shall estimate/budget project costs as accurate as possible</td>
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<td></td>
<td>Subject to applicable F&amp;A costs</td>
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Thank You!