



Cost Reimbursable vs. Fixed-Based Agreement Types

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Cost Reimbursable Agreements

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

Differentiating Between Agreement Types

	Cost Reimbursable	Fixed-Based (Fixed Price/Fixed Amount/Fixed Rate)
SOW/ Deliverables	Flexible requirements subject to sponsor's prior approval	Changes in sponsor requirements not expected
Rebudgeting	Prior approval may be required	No restriction, flexible
Carryforward	Prior approval may be required	Not applicable
Payment Trigger	Financial reporting & progress reports	Completion of deliverables/milestones
Award Agreement Includes:	Detailed budget cost categories	Milestone/Deliverable Payment Schedule <i>or</i> Rates Schedule
Audit	Expenses can be audited	Whereas project expenses generally shall not be audited, applicable cost principles shall be followed when estimating project costs
Residual Balances at Project End	Not applicable unless when funding is advanced, remaining funding shall be returned to sponsor	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.

Agreement Types

	Cost Reimbursable	Fixed-Based (Fixed Price/Fixed Amount/Fixed Rate)
Common Characteristics	Estimated costs shall be consistent with the applicable cost principals (federal cost principals: allocable, allowable, reasonable, and consistently charged), sponsor requirements, and institutional policies	
	Shall estimate/budget project costs as accurate as possible	
	Subject to applicable F&A costs	

Thank You!