

## Fixed Price vs. Cost Reimbursable Determination

### Cost Reimbursable

Under a cost reimbursable subaward, the Subrecipient invoices UCF for expenses incurred under the subaward and then is reimbursed for those costs once the invoice is approved by Grants Accounting and the PI. The expenses, as always, should be allowable, allocable, and reasonable and invoices should include sufficient detail for audit purposes.

A cost reimbursable subaward is appropriate when the deliverables are often theoretical or intangible, such as data and project reports.

### Fixed Price

The Uniform Guidance (2 CFR 200.332) mandates that prior written approval from Federal sponsors is required if UCF wishes to issue a fixed price subaward rather than a cost-reimbursement subaward. By federal regulation, the total cost of each fixed price subaward may not exceed the simplified acquisition threshold, which is currently \$500,000.

A fixed price subaward must meet the requirements for fixed amount awards in [2 CFR 200.201](#):

- Project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on reasonable estimate of actual cost.
- Fixed amount that fixed amount awards must be negotiated using the cost principles (or other pricing information) as a guide, and may be used if accurate cost, historical, or unit pricing data is available to establish a reasonable estimate of actual costs. After award, financial reporting of actual costs incurred by the recipient or subrecipients must still comply with record retention requirements and must make records available for review during an audit.
- Payments are based on meeting specific requirements of the Federal awards.  
\*Options include partial payments for milestone or unit price for a defined unit

Under a fixed price agreement, various milestones and/or deliverables are established along with a corresponding price for each. Once a milestone is met or a deliverable received and accepted by the UCF, the Subrecipient may invoice for the corresponding amount due. Invoices need not include details of expenses. The first milestone/deliverable may be full execution of the subcontract, which can be beneficial when dealing with entities that do not have the resources to incur expenses for later reimbursement.

A fixed price subaward may be appropriate when there is a very clear work scope, cost estimate & defined deliverables. However, the inherently unpredictable nature of research makes limits the ability to define specific research outcomes in advance. **Most subawards do not meet the requirements of fixed price subawards.**

**In order to establish and charge a Fixed Price Subaward to a sponsored program, the cost must be included and fully justified in the approved budget/budget justification at proposal or prior sponsor written approval is required.**

If it is determined that a “Fixed Price Subaward” should be established, the Subaward section of the PTE proposal’s budget justification should include the following statement: *Based upon this justification, the university is requesting agency approval for Fixed Price Subaward cost allowed under 2 CFR §200.332.*

If a proposal is submitted with the required statement/justification outlined above, and the subsequent award issued by the sponsor and does not explicitly disallow the Fixed Price Subaward costs, these costs will be considered approved.

If a new Fixed Price Subaward was not included in the proposal budget and is deemed necessary for the performance of the programmatic objectives of an award, the PI must submit a letter of request to Award Management requesting approval to establish a new Fixed Price Subaward.

The request should explain how the new Fixed Price Subaward is integral to the project. Award Management will coordinate this request with the sponsor. Prior sponsor written approval is required before the expense can be charged to the sponsored program.

### **What is the difference between cost reimbursable and fixed price subaward agreements?**

A cost reimbursable subaward agreement is used to pay for actual expenses incurred in the performance of the statement of work. The risk associated with this type of agreement is typically borne by the pass-through entity (PTE), as there is no guarantee of an outcome or deliverable. Cost reimbursable agreements include a detailed line-item budget with a not-to-exceed amount, which the subrecipient must follow closely depending on the terms of the agreement. In a cost reimbursable agreement, any funds remaining at the end of the project cannot be collected by the subrecipient and any advanced funds must be returned to the PTE if there are no corresponding actual expenses. Generally, a final invoice is required detailing all cumulative costs incurred.

A fixed price subaward is one where a price or rate is determined up front for a specific deliverable and is only paid if the deliverable is met. The risk associated with this type of agreement is borne by the subrecipient, since a deliverable is required to obtain payment even if the cost to meet the deliverable exceeds the agreed-upon rate. Fixed price agreements will have a payment schedule instead of a detailed budget and should include specifics on the deliverable and corresponding payment amount.

Fixed price payments are generally inclusive of all costs, including F&A. The payments are not tied to actual expenses or costs incurred, do not require financial reports, and any residual balance should remain with the subrecipient institution. However, the subrecipient must certify in writing (Certificate of Completion) to the PTE at the end of the award that the project, activity, or service was completed. For most fixed price agreements, this would include a statement that personnel service was delivered as specified in the scope of work, or a product was completed. If the required deliverables were not carried out, the amount of the subaward must be adjusted, as per Uniform Guidance, 2 CFR §200.201(b)(3).

### **Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards**

#### [§200.201 Use of grant agreements \(including fixed amount awards\), cooperative agreements, and contracts.](#)

§200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

(a) Federal award instrument. The Federal awarding agency or pass-through entity must decide on the appropriate instrument for the Federal award (i.e., grant agreement, cooperative agreement, or contract) in accordance with the Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08).

(b) Fixed amount awards. In addition to the options described in paragraph (a) of this section, Federal awarding agencies, or pass-through entities as permitted in §200.333, may use fixed amount awards (see Fixed amount awards in §200.1) to which the following conditions apply:

(1) The Federal award amount is negotiated using the cost principles (or other pricing information) as a guide. The Federal awarding agency or pass-through entity may use fixed amount awards if the project scope has measurable goals and objectives and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award based on a reasonable estimate of actual cost. Payments are based on meeting specific requirements of the Federal award. Accountability is based on performance and results. Except in the case of termination before completion of the Federal award, there is no governmental review of the actual costs incurred by the non-Federal entity in performance of the award. Some of the ways in which the Federal award may be paid include, but are not limited to:

(i) In several partial payments, the amount of each agreed upon in advance, and the “milestone” or event triggering the payment also agreed upon in advance, and set forth in the Federal award;

(ii) On a unit price basis, for a defined unit or units, at a defined price or prices, agreed to in advance of performance of the Federal award and set forth in the Federal award; or,

(iii) In one payment at Federal award completion.

(2) A fixed amount award cannot be used in programs which require mandatory cost sharing or match.

(3) The non-Federal entity must certify in writing to the Federal awarding agency or pass-through entity at the end of the Federal award that the project or activity was completed or the level of effort was expended. If the required level of activity or effort was not carried out, the amount of the Federal award must be adjusted.

(4) Periodic reports may be established for each Federal award.

(5) Changes in principal investigator, project leader, project partner, or scope of effort must receive the prior written approval of the Federal awarding agency or pass-through entity.

***If contemplating a fixed price subaward, you should contact your Proposal Manager during development of the proposal, prior to submission. The Central Office can assist with determining if a fixed price subaward is appropriate.***