Fixed Price Versus Cost Reimbursable Agreements

Fixed price performance based agreements are those in which a value (a fixed price) is determined for work to be accomplished. In general, payment for a fixed price contract is usually tied to performance or deliverables. If the performance is not met, the sponsor is not obligated to pay. If the performance is met, the sponsor is contractually obligated to pay. Unspent funds remaining after all deliverables have been met will be retained by rather than returned to the sponsor.

Funding requests must be within a reasonable range of actual anticipated expenditures. You should not accept fixed-price contract funding from sponsors simply based on market value (i.e., what might have been paid to other contractors) without regard to estimated costs even if the sponsor is willing to pay it.

Normally, if a contract proposal is appropriately budgeted and all reasonable and allocable expenditures are posted to the contract account, the unexpended balance should be no more than 10% of the awarded amount unless there is justification.

An audit sensitive issue arises when final actual expenditures are substantially less than the amount of the contract award. As a non-profit organization, NSHE must not intentionally generate "profit" from externally funded activities. A substantial positive balance can imply to auditors and external sponsors that NSHE inappropriately inflated our cost proposals thereby deliberately generating non-project related future operating funds for NSHE.

Cost reimbursable agreements are based on actual expenditures. The sponsor reimburses SSPO for actual allowable and allocable costs spent on a project. These costs should not exceed the budgeted amount and closely follows the budget submitted with the proposal and included in the award document. For government contracts the contractor is not expected to perform once the funds have been exhausted.

For both fixed price and cost reimbursable projects, the Sponsored Programs & EPSCoR Office must have a detailed budget prior to the proposal being submitted to the sponsor. Once funded, the payment terms are outlined in the award document, but often require SPO to send applicable invoices.