

Cost-Reimbursement vs Fixed Price

Cost-Reimbursement (Invoicing for project-related costs incurred)

Contract pricing method under which allowable and reasonable costs incurred by a contractor in the performance of a contract are reimbursed in accordance with the terms of the contract.

For Invoicing: After expenditures for an award have been completely processed in Workday (i.e. Supplier Invoice generated, P-Card verification, Expense Report approved, F&A calculated, etc.) invoices are submitted to the sponsor by the institution for actual costs, generally on a monthly basis.

- Start & End Dates are important for liability reasons and are critical for financial consideration
- Expenditures are auditable and must adhere to a budget
- Funds remaining after End Date may be lost unless an extension of the End Date is justified (having unexpended funds is not a justifiable reason)

Fixed-Price (Scheduled payments tied to satisfactory performance and/or deliverables)

A type of contract that generally provides for a firm price or under appropriate circumstances, may provide for an adjustable price for the supplies or services being procured.

For Invoicing: After service has been completed, an invoice is generated for the firm price.

- Start & End Dates are important for liability reasons but are not critical to financial consideration
- Although budgets are not included in fixed-price agreements, the total price agreed upon must be based on realistic cost estimates
- Unexpended funds remaining upon termination of the project may be retained by the institution, HOWEVER consistent & excessive unexpended balances may make the institution liable for payment of Unrelated Business Income Tax (UBIT)

Procedure for fixed price accounts: 1) Close out account(s) after final scheduled payments and deliverables have been met. Within SSPO/EPSCoR the remaining funds would be distributed to PI and SSPO/EPSCoR, as determined upon acceptance of a fixed price agreement; 2) the remaining amount, if applicable, is then set up in a new account as unrestricted funds. This should be done within 90 days of close out.