

## Guidelines for Fixed Price Awards

**Responsible Executive:** VP for Research  
**Responsible Office:** Office for Sponsored  
Research and Award Administration  
**Effective:** 9/1/2018  
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These guidelines are a companion to RO policy 19-004 “Fixed Price Awards”, and provide additional detail on responsibilities and processes. Definitions are re-stated from the policy for ease of use.

### Definitions

- **Allocable Cost** –A cost assigned to a sponsored award or other cost objective where the goods or services involved are chargeable or assignable to that sponsored award or cost objective in accordance with relative benefits received.
- **Direct Costs** - Those costs that can be identified specifically with a particular project, or other internally or externally funded activity, or can be assigned to such activities relatively easily with a high degree of accuracy.
- **Facilities & Administrative (F&A or Indirect/Overhead) Costs** – those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.
- **Fixed Price Award (Fixed Amount Award)** - An agreement in which a price is determined in advance for the performance of a specific project or scope of work regardless of the ultimate cost to complete the project. Accountability is based primarily on performance and results. Fixed price awards can be in the form of grants, cooperative agreements or contracts.
- **Residual Funds** – An unobligated, unspent balance remaining in a sponsored award account at the conclusion of the project. For a fixed price award, these are funds that remain in the project account after deliverables have been completed and accepted by the sponsor, all direct costs needed to fulfill the requirements of the award have been charged to the project index, any final adjustments to recoup under-recovered indirect costs have been made, and all payments from the sponsor have been received.

### Guidelines

As with all sponsored awards, project costs for fixed price awards must be allowable, reasonable and correctly allocated to the benefitting project from the onset of the project work. It is important to consider all possible project costs when preparing a cost proposal for a fixed price award, as OSU will be responsible for completion of the project whether the

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sponsor's funds fully cover the cost or not. This document provides guidelines for each stage of the fixed price project life cycle.

### Fixed Price Proposals

When preparing a proposal for a fixed price award, it is the expectation of OSU that the fixed amount requested from the sponsor reflects an accurate estimate of anticipated direct and indirect costs for the specific statement of work. Although a detailed budget breakdown should not be provided to the sponsor, OSU requires an internal budget as a guideline for how requested funds were estimated and how an award will be set up in OSU's financial system.

Principal investigators (PIs) must make reasonable efforts to estimate fixed price projects appropriately. Under a fixed price award, OSU is agreeing to perform the work regardless of the actual cost of conducting the project. The project pricing must ensure that all OSU costs are covered, including OSU's full F&A rate. If the cost of the project is under-estimated, the work must still be completed and the PI's department will be responsible for the cost of finishing the project.

The PI must initiate a proposal record in OSU's Cayuse SP proposal approval system and obtain the appropriate departmental, college and administrative reviews and approvals for conducting the project. The Office for Sponsored Research and Award Administration (OSRAA) must approve the proposal before a fixed price sponsored agreement is reviewed, negotiated, and accepted.

### Fixed Price Award Set-up and Award Management

The fixed price sponsored agreement must be signed prior to the start of project work. Most sponsored agreements are reviewed and executed by OSRAA, including industry sponsors passing through federal or nonprofit funds. The Office for Commercialization and Corporate Development (OCCD) will review and sign sponsored agreements, including fixed price awards, from industry sponsors not passing down federal or nonprofit funds.

Once the fixed price agreement is accepted, OSRAA will establish the sponsored project account index and code it as fixed price in the financial system. During set up, OSRAA will code the account to indicate the fixed price payment type, such as advanced funds or payment by task completion.

The payment schedule for a fixed price award is outlined in the sponsored agreement. OSRAA is responsible for invoicing the sponsor and invoices are based on the payment schedule, rather than on a cost-reimbursable basis as funds are spent. A payment schedule may be established by task, milestone or lump sum and it is not unusual to have the final payment withheld until project completion or submission of the final deliverable to the sponsor.

Project payment schedules based on task or milestone will require coordination between the PI and OSRAA to initiate invoicing the sponsor as payment milestones are reached.

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During the life of the project, funds must be expended against the fixed price project index in support of the specific statement of work. There may be greater flexibility in rebudgeting as project changes arise, since the sponsor has agreed to a fixed cost, rather than a detailed budget. OSRAA should be consulted on revisions to the project budget that could signify a change to the scope of work, as scope changes require sponsor approval.

Expenses for a fixed price award are not subject to detailed reporting to the sponsor, however, OSU will capture all project costs in the established fixed price account index so that all project expenses are collected together and easily identified as sponsored project funds. PIs are responsible for regularly reviewing the project account to ensure that expenses are being charged correctly and the project is progressing at an expected pace.

### Fixed Price Award Closeout

At project completion, unless restricted by the award document, it is OSU's policy to allow the department to retain the remaining balance of funds for their use toward the support of departmental research. Since the fixed price cost estimate was based on anticipated project costs, remaining balances should be minimal. Residual balances exceeding 20% of the total fixed price award will require the sponsor's approval for OSU to retain funds.

After ensuring that all allocable costs have been posted to the project account index and it has been determined by OSRAA that OSU will retain the balance of the award, the funds are transferred to a departmental M2XXXX gift fund, less the full F&A costs originally budgeted. If the award was approved internally for a waiver or reduction of F&A costs, the full amount of the lost F&A will be recovered from the cash balance prior to transfer of funds to the department.

There is currently one exception to departments retaining the remaining balance of funds for departments research support—use of fixed rate day charters by the R/V Oceanus and any successor vessels. Per agreement with the National Science Foundation, the remaining balance of any such fixed day charters will be transferred to the Major Overhaul and Stabilization Account (MOSA) fund.

### Roles & Responsibilities

A comprehensive list of OSU Roles and Responsibilities may be viewed at:

<http://research.oregonstate.edu/osraa/osraa-organization/roles-and-responsibilities>

#### Principal Investigator

- Initiate a proposal record through Cayuse SP, with an internal OSU budget, to document institutional approvals for the fixed price project
- Make every effort to accurately estimate the project cost, including OSU's full F&A rate, to minimize risk of project costs needing to be absorbed by OSU

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- Monitor project expenditures to ensure costs are allocable and charged to the specific project index
- Consult with OSRAA regarding any potential changes to the scope of work, including significant internal budget shifts that may affect the project scope
- Contact the Business Center and OSRAA as soon as possible to request a no-cost extension from the sponsor if it is anticipated that more time is needed to complete the project
- Perform project programmatic work and complete technical reporting and project deliverables as scheduled
- Communicate with OSRAA as project tasks or milestone are completed to coordinate billing the sponsor according to the payment schedule
- Work with Business Center to ensure project expenses are posted to project index
- Review project financial transactions at closeout to confirm when all project expenses are posted to project index

### Business Center

- Assist PI as needed with proposal preparation and development of an internal budget estimate, including the full OSU F&A rate
- Provide assistance during the life of the project to ensure that project costs are posted to the correct project index
- Work with the PI and OSRAA at closeout to confirm final expenditures and cost overage or residual balance

### Department (Administering – usually PI's home department)

- Assist PI as needed with proposal preparation and development of an internal budget estimate, including the full OSU F&A rate
- Potentially identify a departmental, non-sponsored project account to absorb cost overages when project cost exceeds estimate
- Potentially provide departmental gift account number and administer funds when residual balance transferred to department at project end

### Office for Sponsored Research and Award Administration (OSRAA)

- Provide guidance in the interpretation of sponsor and OSU requirements for budget estimating and requirements for proposal submission
- Review and approves the proposed application in Cayuse SP - including internal OSU budget, F&A rates, and institutional approvals for the fixed price project
- Confirm special terms or restrictions of award with PI during award review

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- Negotiate with sponsor on award terms and sign fixed price agreement (may be coordinated with OCCD for industry funding)
- Set up restricted project account index in OSU's financial system for PI to charge project expenses during the life of the award
- At project closeout, communicate with PI, Business Center and Department to confirm final project expenditures and total cost of fixed price award
- If applicable , confer with PI's department to identify a departmental, non-sponsored project account to cover project over-expenditures
- If applicable, confer with PI's department to identify departmental gift account to transfer residual balance, less full F&A cost