

Demystifying Agreement Pricing Types

Sponsored Financial Services





Agenda

- Pricing Types
 - Cost Reimbursable
 - Firm Fixed Price
 - Fixed Fee – Indefinite Delivery/Quantity (ID/IQ)
 - Hourly Billing
 - Others
- Costing practices
- Agreement closeout



Pricing Types





Cost Reimbursable:

- Provides:
 - Reimbursement of allowable incurred costs
 - Authorized ceiling amount (authorized budget)
 - Cannot exceed that amount without a formal modification
- Requires (generally):
 - Invoicing based on costs or, in some cases, scheduled invoicing
 - Financial reporting
 - Could receive automatic payments
- May require:
 - Cost Share (based on solicitation)



Firm Fixed Price

- Provides:
 - Fee based on specific deliverable(s)
 - Regardless of expenditures
 - Cornell owns risk
 - Performance based (task, milestone, deliverable)
- Requires:
 - Invoicing based on agreement
 - Could receive automatic payments (upon execution, upon modification)
- May require (Rare):
 - Budget in agreement to demonstrate reasonableness of costs



Fixed Fee – Indefinite Delivery / Quantity (ID/IQ)

- Provides:
 - Fee based on unit delivered (\$1,000 per widget)
 - Regardless of expenditures
 - Cornell owns risk
 - Rates need to be fully loaded (incorporate indirect costs, benefits)
 - Performance based: generally associated with quantity delivered
 - Terms could incorporate a range (e.g. no fewer than X quantity and no more than Y). Will normally be time limited.
- Requires:
 - Invoicing based on quantity delivered



Billable (Contract) Hours

- Provides:
 - Billable rate per hours supporting project
 - Regardless of expenditures
 - Cornell owns risk
 - Rates need to be fully loaded (incorporate indirect costs, benefits)
 - Performance based: generally associated with effort (hours) supporting the project
- Requires:
 - Invoicing based on contract hours delivered

*Note: If the sponsor requires hourly rates for salary, contact the Grant and Contract Officer (GCO). Cornell does not generally support hourly billing for staff.



Others:

- Firm Fixed Price, plus costs
 - Example: Rate for deliverables, but all travel at cost
- Fixed Price Award as Ceiling Amount
 - Intended to be cost reimbursable with a ceiling
 - Includes terms consistent with cost (reporting, return unexpended)
- Time and Materials
 - Has cost reimbursable elements (i.e. billing for the personnel and supplies incurred). If rates used are actual cost it would be cost reimbursable.
 - Not uncommon in general commerce, and normally use loaded rates (i.e. rate for time includes indirect costs)



RASS: Pricing Type

- Research Administration Support System (RASS)
 - Pricing Type: Identified in RASS
 - Confirmed within Sponsored Financial Services (Award setup)
 - RASS corrected as necessary
 - Utilized to determine project expenditures included in the annual Federal Expenditures report published annual on federal clearinghouse

Sponsored Financials

Pricing Type*

Cost Reimbursable

Billing Frequency

Annually

Currency

US Dollar - USD



Proposal: Costing





Solicitation

- Generally, through the solicitation language, the costing type, and the agreement type is identified
- If a fixed price agreement is the intention, care for budgeting is critical
 - Additional funding is generally not supported
 - All reasonable costs are included in the proposed amount
- Accurate and reasonable costing is required
 - Neither a deficit or unplanned excess is expected
 - If appropriately budgeted, variance of costs to authorized amount is not expected to exceed 10%



Budgeting:

- An itemized budget is still required for proposal
 - Using established procedures
 - Reasonable, necessary, allocable to scope of work
 - Should not include costs not allocable to scope of work
 - Directly related to performance of scope of work
 - Should include F&A rates consistent with established procedures
 - Should not expect residual funds
 - Latest Uniform Guidance revisions
 - Include expectations that costs are reasonable and allowable
 - This is the expectation at Cornell



Budgeting hourly rates:

- First, confirm with the GCO
- If hourly rates are absolutely required, use this disclaimer:
 - Consistent with federal cost principles applicable to universities, Cornell University estimates and invoices personnel costs as a percentage of total effort, or level of effort basis. Cornell University does not track work hours for FLSA exempt staff, and is unable to provide billing or time records based on hours. For the purpose of this requirement only, we have estimated hours by converting the level of effort using a 40 hour standard work week.



Budgeting / Reporting hourly rates:

- Hourly rates:
 - Need to incorporate Full Time Equivalent (FTE) of position supporting the project – This is identified in Workday
 - Caution: Assistantships: hours based on appointment
 - 15 hours per week: 37.5% FTE
 - 12 hours per week: 30% FTE
 - 8 hours per week: 20% FTE
 - Identify earnings based on FTE/Hours
 - Includes Benefits and Indirect Cost rates
 - Caution: Assistantships: Tuition/Insurance need to be incorporated
 - Earnings rate adjustment
 - Other Direct Costs
- Reporting:
 - Unit is required to confirm FTE to calculate billable hours



Agreement Terms





Pricing Type vs Agreement Terms?

- Review agreement in its entirety
 - This is done within SFS when award distributed
 - Evaluate pricing type to determine based on agreement
 - Contact the Grants & Contract Officer (GCO) with a request to confirm based on their understanding
 - The terms of the contract prevail, and in some cases, a modification is required/issued
 - Ensure RASS is correct regardless
 - The pricing type integrates with KFS Award Instrument Type



Pricing Type or payment schedule

- Pricing types determine the basis on which we will be paid
- Payment schedules determine when we are paid
- Payment schedules can include advance, scheduled, or as incurred (reimbursement). As incurred may have a prescribed frequency.
 - Payments may be tied to a deliverable, even if not fixed price



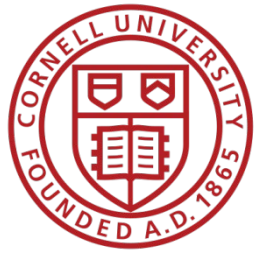
Invoicing Terms

- Payment Schedule is independent of pricing type
 - Generally, payment schedule aligns well with pricing type
 - Cost Reimbursable: Monthly invoicing
 - Fixed Price: Invoice upon deliverable
- Final Invoice:
 - Based on final expenses or with firm fixed price, deliverable
 - Regardless final invoice is required timely



Conflicting Terms:

- Fixed price awards requesting prior approval for rebudgeting, financial report, cost share, or return of unexpended balance
 - An award paying \$X per year, but requiring the return of any unexpended balance is cost reimbursable
- Cost reimbursable awards not requiring return of unexpended balance



Closeout





Closeout

- Regardless of pricing type, agreement needs to be closed timely
- Extensions are warranted:
 - Only if scope of work is not complete
 - Unplanned residual funds, when work is complete does not warrant an extension



Final Expenditures:

- Cost Overrun:
 - Covered as a project overrun: Standard practice
- Unplanned residual:
 - Ensure all incurred expenses to complete scope of work are recorded to project account
 - Review budgeted costs to ensure that the expenditures are recorded properly
 - If the project received a reduction of F&A rate, SFS will assess the full F&A costs, as determined by the agency, before any final balance is determined.
 - Full federal negotiated rates based on activity type: Research/other Sponsored
 - Full agency legislatively capped indirect rate, if applicable
 - Department of Agriculture: Total Funds Awarded 30%
 - Assessment of indirect recovered via Transfer of funds to the College indirect recovery account



Unplanned residual distribution:

Distribution:

Residual*	Allocation (after recovery of F&A reduction)
Amount remaining less than or equal to 10% of total funding	Entire amount transferred to PI discretionary account.
Amount remaining greater than 10% but not more than 30% of total funding	33% of balance remaining to PI discretionary account 67% of balance remaining to Department
Amount remaining greater than 30% of total funding	- Requires SFS review - PI must submit written explanation of the reason for the high residual. The justification will be part of financial documentation subject to audit 10% of balance remaining to PI discretionary account 20% to Department - Remainder to the College/School

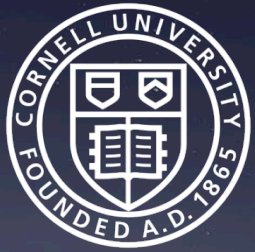
* In all cases, 100% of the residual balance will be returned to PI when it is equal to or less than \$2,500, regardless of the percentage of total funding.

<https://researchservices.cornell.edu/policies/procedure-establishment-and-administration-fixed-price-agreements>



Unplanned Residual:

- Distributed once final payment is received from sponsor. That would present as an Account Receivable balance
 - Transfer of funds document
 - All expenditures/general ledger activity will be complete
 - No further activity
 - Account will not close in KFS until entries are complete



Thank you!

