

# HARVARD UNIVERSITY



## **Guidance on Fixed Price Sponsored Awards**

Originally Issued: June 8, 2016  
Last Revised: March 27, 2018  
Responsible Office: Office for Sponsored Programs

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### **Reason for Guidance**

Fixed price sponsored awards are awards in which an agreed upon, set price is determined for the project to be accomplished. If the cost of the project exceeds the awarded amount, the University absorbs the additional costs required to perform the work. Many of the fixed price sponsored awards accepted by Harvard are with industry partners; however, federal and non-federal sponsors, including foundations, can issue a fixed price award. With respect to industry-sponsored awards, the University, through its Office of Technology Development (OTD), endeavors to negotiate fixed price terms in all awards; however, not all industry-sponsored research results in a fixed price award.

Principal Investigators (PIs) and administrators must prepare accurate, detailed proposal budgets, and costs associated with the fixed price sponsored award to fully capture all resources necessary for the work performed on the project. If the project is performed at a cost below the awarded amount, the residual balance must be treated in accordance with the terms and conditions of the award and/or the sponsor's written policies relating to disposition of residual balances. If the award and sponsor are either silent on this issue and/or allow for residual balances to be retained by the University, then the funds can be transferred to a University account. As a non-profit institution, the University's mission is not to seek profit from its research activities; therefore, significant residual balances on fixed price sponsored awards may call into question the validity of the proposed budget and potentially affect the University's tax-exempt status.

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## Applicability

This guidance is applicable to all Principal Investigators (PIs) and administrators at Harvard University within all Schools, units, divisions, University-wide initiatives, labs, and centers who are involved with the administration and conduct of sponsored awards.

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## Roles and Responsibilities

Fixed price sponsored award responsibilities are shared among the following:

### PI & Department/Local Level Managing Unit

- Develop a clear scope of work and deliverables that are attainable within the proposed budget and specified timeframe
- Develop detailed budgets that are sufficient given the scope of work, deliverables, and timeline as well as budget justifications as required for proposal submission to the sponsor
- Review and follow all terms and conditions of the award and sponsor requirements relating to disposition of residual balances
- Monitor sponsored award expenditure level during period of performance
- Charge all allocable, allowable, and reasonable project costs to the fixed price sponsored award
- Complete all deliverables as specified in the award
- Inform Sponsored Projects Administration (SPA), Office of Sponsored Programs (OSP), or Office of Research Administration (ORA) of any delays or issues in completing deliverables
- Complete Fixed Price Award Residual Balance Transfer Form and obtain appropriate signatures in the following order: (1) PI, (2) Local/unit (if required), and (3) Designated School Representative
- Submit approved Fixed Price Award Residual Balance Transfer Form to OSP for fixed price sponsored awards with an unexpended balance of  $\geq 25\%$  of the total sponsored award amount and/or  $\geq \$100K$  at the end of the period of performance with a detailed explanation of the unexpended balance and the unrestricted non-sponsored departmental account to which the residual balance should be transferred

### **School/Local Unit**

- Facilitate regular monitoring of awards in the departments/local units
- Work with PIs and departments to resolve issues on awards as they arise
- Determine whether the indirect cost portion of the remaining balance, under-recovered overhead, or any administrative fee should be retained by the School
- Review and approve the Fixed Price Award Residual Balance Transfer Form
- Determine a consistent local practice for dealing with residual balances on fixed price sponsored awards that are below the threshold of  $\geq 25\%$  of the total sponsored award amount and/or  $\geq \$100K$  at the end of the period of performance and provide this information to OSP

### **Office for Sponsored Programs (OSP), Sponsored Programs Administration (SPA), and Office of Research Administration (ORA)**

- Use reasonable efforts to negotiate appropriate language about residual balances in all fixed price awards
- Review and follow all terms and conditions of the award and sponsor requirements relating to disposition of residual balances
- Monitor sponsor payments throughout the life of the award and inform department and PI of any payment delays
- Work closely with the department on timing of deliverables, invoicing, and reporting;
- Review account to ensure that all sponsored funds have been received, all expenses related to the project are reflected in the account, and all award requirements have been met
- Review and approve the Fixed Price Award Residual Balance Transfer Form for any fixed price sponsored award that does not require a return of unexpended funds and has an unexpended balance of  $\geq 25\%$  of the total sponsored award amount and/or  $\geq \$100K$  at the end of the period of performance
- Request no-cost extension or other award modifications if required
- Transfer unexpended funds into appropriate account(s)

## **Office of Technology Development (OTD)**

- Use reasonable efforts to negotiate appropriate language about residual balances in all industry sponsored fixed price awards
- Request internal budgets from PI & Department/Local Level Managing Unit and facilitate review of internal budgets by relevant School and OSP, SPA, or ORA prior to executing industry sponsored research agreements
- Notify OSP/SPA/ORR at account set up of fixed price awards
- Review no-cost extension requests or other award modifications and coordinate with Department, OSP/SPA/ORR regarding necessary institutional approvals and OSP information management (e.g., term extensions, additional funding for the project, follow-on research)

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## **Procedures**

The following procedures outline the process for fixed price sponsored awards.

### **Proposal Process**

Proposal budgets and budget justifications for fixed price sponsored awards are developed by PIs and departments in the same manner as all other proposal budgets. Proposal budgets and budget justifications are reviewed and approved by School and OSP, SPA, or ORA before submission to the sponsor. Estimates used for determining costs on fixed price sponsored awards should be supported by appropriate documentation. Even if the sponsor does not require that a budget be provided as part of the proposal submission, the PI and department should prepare a detailed budget for internal use that supports the total estimated project costs and submit this budget to OSP, SPA, or ORA for review and approval.

### **Award Initiation**

Typically, the University sponsored awards are structured as cost reimbursable. Occasionally, the University may need to accept a fixed price sponsored award for which the invoicing and the close-out procedures differ from cost reimbursement awards. As with cost reimbursement agreements, the

expenses incurred must be related to the project and incurred within the project period. Any fixed price sponsored award that does not require a return of unexpended funds and has an unexpended balance of  $\geq 25\%$  of the total sponsored award amount and/or  $\geq \$100K$  at the end of the period of performance will be reviewed by the School and OSP. Residual balances below the threshold should be reviewed by the School/Local Unit according to the School's/Local unit's standard practice.

### **Award Closeout**

At the end of the fixed price sponsored award period of performance, the following steps will be completed:

- OSP will review the account to ensure that all sponsored funds have been received, all expenses related to the project are reflected in the account, all effort that has been charged to the project is in line with the work performed, and all award requirements have been met. If the project is not complete, a no-cost extension will be requested by OSP, SPA or ORA.
- Once the final unexpended balance is determined, the School's financial and/or research administrative office(s) may determine whether indirect costs up to the federally negotiated rate, administrative fees, or unrecovered F&A will be retained by the School from the remaining balance. To ensure proper allocation, the Fixed Price Award Residual Balance Transfer Form should include School account coding, and respective amounts and must be signed by the Designated School Representative.
- If the unexpended balance after award closeout is  $\geq 25\%$  of the total sponsored award amount and/or  $\geq \$100K$ , the Principal Investigator and department will sign and submit an approved Fixed Price Award Residual Balance Transfer Form to OSP with a detailed explanation of the unexpended balance and the unrestricted non-sponsored departmental account to which the residual balance should be transferred.
- If unexpended balance after award closeout is below the threshold of  $\geq 25\%$  of the total sponsored award amount and/or  $\geq \$100K$ , the School/Local Unit will determine the review process. The recommended practice is to require completion of the Fixed Price Award Residual Balance Transfer Form. Each School/Local Unit is required to provide to OSP its process for handling these balances and the standard treatment for transfer of the residual balance.

- OSP will review and approve the Fixed Price Award Residual Balance Transfer Form required by this guidance.
- Once approved, OSP will transfer the unexpended balance to the specified non-sponsored department account and/or School/Local unit account.
- The fixed price sponsored award is reconciled by the department and closed out by OSP.

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## **Additional Resources**

- [Fixed Price Award Residual Balance Transfer Form](#)

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## **Related Policies and Documents**

- [Sponsored Financial Reporting and Closeout Policy](#)
- [Policy for the Application of Indirect Costs to Sponsored Awards](#)
- [Sponsored Expenditures Guidelines](#)

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## **Definitions**

### **Cost reimbursement sponsored award**

A cost reimbursement agreement allows for payment of all incurred costs, within a predetermined ceiling, that are reasonable, allowable, and allocable.

### **Fixed price sponsored award**

This type of agreement requires the University to successfully perform the work and deliver the product for a price agreed to up front.

### **Residual Balance (Unexpended funds)**

The unspent balance of obligated funding portion of sponsored award.

## Sponsored award

Funding arrangement in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise.

## Period of performance

The time period during which the proposed work will be completed, and the funds awarded are available for expenditure by the recipient.

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## Designated School Representative

- FAS – [Marina Magid](#)
- HGSE – [Tiffany Blackman](#)
- HKS – [Carrie Kachoria](#)
- HMS – [Rita Bergemann](#)
- SEAS – [Marina Magid](#)
- SPH – [Kristie Froman](#)

*For all other tubs, please [contact the OSP portfolio manager](#) assigned to your department/center.*

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## Revision History

- June 2016
  - Initial effective date of guidelines
- March 2018
  - Revised to clarify School may recover indirect costs up to the federally negotiated rate and the order of the signatures on the form