

PI Article – Cost Reimbursable versus Firm Fixed Price Awards

For the awards that Georgia Tech receives from sponsors, there are two standard types of reimbursement mechanisms: cost reimbursable (CR) and firm fixed price (FFP). While the majority of the awards received by Georgia Tech are cost reimbursable, there are more nuances associated with firm fixed price awards.

Cost Reimbursable: Under this structure, the awardee is reimbursed for actual allowable, allocable, and reasonable award costs in line with the approved budget. Note that payment is NOT conditioned upon a successful outcome of research results. Rather, it is triggered by submission of invoices and completion of progress reports. The invoice frequency is established in the award agreement. Costs cannot exceed the amount awarded, and any funds received in excess of expenditures incurred must be returned to the sponsor in a timely manner. The majority of our federal cost reimbursable awards are reimbursed through a letter of credit (LOC) mechanism, which allows for drawdowns of multiple awards at the same time.

Firm Fixed Price: Under this structure, the awardee receives pre-set fixed payments contingent upon completion of deliverables as required in the agreement. The awardee only receives the contracted amount from the sponsor, regardless of actual costs incurred. While any residual balances should remain with the awardee, this is subject to awardee's own policies and procedures. In order to not accumulate a residual balance which exceeds a reasonable level, the awardee should make sure to budget properly and not over-inflate their estimated costs. This reimbursement structure is appropriate when deliverables and milestones are defined properly and the cost estimate is reasonable and supportable. Instead of a detailed budget, the award will have a payment schedule and should include specifics on deliverables and corresponding payment amounts. An invoice is triggered by the completion of milestones/deliverables. Large material residual balances on Federal and Federal Flow-through awards will be returned to the Government.

Policy Guidance- https://www.grants.gatech.edu/sites/default/files/images/gc_notice_fixed_price.pdf

At Georgia Tech, the process to request a residual amount once the award is completed is as follows:

- Request documentation of FFP residual balance amount from Sponsored Research Accounting (G&C). Note that the units only receive the direct portion of the residual balance, as the indirect portion is retained centrally to cover overhead costs.
- Work with your department financial contact in G&C to submit the fixed price residual form. The form is called the "G&C PI Fixed Price Close-Out Certification Form," and the initiator fills out all the required data. Electronic signatures are then collected by the PI, School Chair, and G&C Financial Analyst and automatically routed via DocuSign. Signed forms are archived in Electronic Format.
<https://app.docusign.com/templates/details/2faf18de-e7dc-4478-9949-44762eec1e21>
- Once approved, G&C will establish a unique GTRC award for these funds and post the appropriate budget. If unit already has a GTRC FP Award, budget will be added to the existing award.

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