VCU Memo

Virginia Commonwealth University

Medical Center

In the tradition of the Medical College of Virginia

DEPARTMENT of INTERNAL MEDICINE
POLICY ON INDUSTRY SPONSORED FIXED PRICE AGREEMENTS

While the majority of sponsored projects received by VCU are cost reimbursement, most industry sponsors utilize fixed price agreements, particularly for clinical trials. While offering some advantages to the principal investigator (PI), fixed price agreements can present a financial risk to the University because the PI has agreed to perform the work regardless of the actual cost of conducting the project. Therefore, great care must be taken during the budget development and negotiation stages to ensure the amount requested from the sponsor includes all anticipated allowable direct costs and indirect costs using the appropriate research or clinical trial F&A rate.

In the event the sponsored project was underpriced and there is a deficit, the PI, division and/or department, are responsible for funding the difference. Alternatively, after verification that all costs were accurately charged to the contract and all deliverables were accepted by the sponsor, residual balances may be retained by the PI and/or Department upon approval by School of Medicine Dean's office in accordance with their policy on Fixed Price Close outs.

Budget Considerations

Unlike most research grants/cost reimbursement projects, where the sponsor may ask for a commitment of some of the University's financial resources (such as cost sharing above the NIH salary cap) to the project, fixed price contract budgets should always include all anticipated allowable direct costs required to provide the contract deliverable(s). Specifically, budgets must include an appropriate percentage of effort to fund the salaries, wages, and fringe benefits for all project personnel that is consistent with the level effort to be expended to perform the contracted work. Finally, the appropriate F&A rate will be applied to the anticipated allowable direct costs to arrive at total project costs.

In the event that the project was underpriced and there is a deficit, the PI, division and/or department, are responsible for funding the difference. So it is important that University or Department resources not be used to subsidize a sponsored research activity.

Also, large or frequent surpluses could open the University up to accusations of defective pricing, so careful, fully documented, and thoughtful processes should be used when developing and negotiating fixed price contract budgets with external sponsors.

PIs are asked to work through the CCTR Clinical Trials Office for budget development and negotiation with industry sponsors. PIs who independently develop budgets for industry sponsored projects should understand they are also responsible for performing the required Medicare Coverage Analysis prior to submission of the contract agreements for institutional approval.

PROCEDURE - Project Closeout and Disposition of Residual Balances of Fixed Price Agreements

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1. VCU Grants and Contracts Accounting (G&CA) identifies fixed price projects that are within 90 days of their contracted end date and notifies the PI and fiscal administrator by way of a G&C Close Out Notice.

2. Upon receipt of the notice, the PI and fiscal administrator certify that the project "has been appropriately charged for all work performed" and indicate if the project will be extended, renewed or ready for close-out. The notice is then forwarded to Department for review, signature and submission to G&CA.

3. If the PI has indicated activities for the project remain, the Department will work with the PI so a formal contract extension may be requested from the sponsor

4. If the PI has indicated the project is complete, the Department will review the budgeted versus actual personnel and non-personnel expenses; including a comparison of the level of effort committed to the sponsor with the actual salary expenses charged to the award. Other originally proposed line items will be reviewed and compared to actual expenses to help ensure all appropriate expenses were correctly charged to the project index and that all sponsor invoicing is current.

    a. If a deficit balance remains, the PI and/or fiscal administrator will be asked to identify an appropriate index to transfer the over expenditures before submission of the signed Close Out Memo to G&CA.

    b. If a residual balance remains, the Department will follow the School of Medicine policy on Fixed Price Closeouts

Exceptions to this Procedure

Exceptions to the account closure and disbursement procedures may be made on a case-by-case basis. Requests for exceptions should be addressed to the Department Chair for review.

Questions about available funds and application process may be directed to Elizabeth Fortune (efortune@vcu.edu or 804-828-0404).