

Advance Account/Pre-Award Spending Policy

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Issuing Authority: Vice President for Research and Compliance
Responsible Offices: Office of Sponsored Programs/Research Administration; Office of the Vice President for Research and Compliance; and Office of the Senior Vice President, Chief Financial Officer and Controller

Purpose:

To outline the circumstances in which the Principal Investigator/Project Director (PI/PD) may spend on an award that has not yet been granted, or for multi-year awards in which the new year of the award is received after the start of the new budget period, but for which there is a high probability that the award will be received.

Policy:

It is the policy of Howard and all related entities, business units, subsidiaries and affiliated organizations including, but not limited to, Howard University Hospital (hereinafter referred to collectively as “Howard University”) to permit pre-award spending (for new awards) or advance spending (for non-competing continuing awards) in order to allow PI/PDs to initiate or continue sponsored program activity provided such spending is consistent with the guidelines of the sponsoring agency, the terms and conditions of the award (where applicable), and has been approved in advance by the applicable unit within Sponsored Programs¹. All pre-award spending (or advance) accounts must be guaranteed by an account designated by the Department Chair/Dean and approved by the Provost in accordance with guidelines established by the Office of the Provost.

If the expected award segment is not received in full, or if the sponsor does not approve the incurred pre-award/advance expenditures, the PI’s department/school/college is responsible for any un-reimbursed expenses.

According to OMB Circular A-110, grantees can approve costs incurred 90 calendar days prior to the award start date, or more than 90 calendar days with the prior approval of the Federal awarding agency; however, **the grantee engages in pre-award (or advance) spending at its own risk.** The Federal sponsor is under no obligation to reimburse such costs if, for any reason, the grantee does not receive an award, the award is not continued, or the award is less than anticipated and inadequate to cover the pre-award (or advance) spending. The NIH Grants Policy Statement states: *“The incurrence of pre-award costs in anticipation of a competing or non-competing award imposes no obligation on NIH either to make the award or to increase the amount of the approved budget if an award is made for less than the amount anticipated and is inadequate to cover the pre-award costs incurred.”*

¹ The Office of Sponsored Programs/Research Administration (OSP/RA) for pre-award spending accounts on new awards or competing continuations, or Grants and Contracts Accounting (GCA) for advance accounts on non-competing continuing awards.

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Howard University receives sponsored program awards from a wide variety of sponsors, the largest of which is the National Institutes of Health (NIH). Sponsors have their own guidelines regarding pre-award (and advance) spending. These guidelines may limit the range of possibilities available to Howard University. In all cases, Howard University's position regarding any particular request for pre-award spending is subject to the limits imposed by the policies and guidelines of the sponsoring agency.

In addition, the fact that a sponsor may allow pre-award (or advance) spending does not compel Howard University to approve such spending. Howard University assesses the risks and benefits on a case-by-case basis. For example, Howard University may not approve a request for pre-award spending if the sponsor involved has a history of disallowing some or all pre-award expenditures in other situations. (See the "Forms and Links" section of this document for more information and references regarding NIH policy and guidelines.)

This section defines the most common scenarios in which the possibility of pre-award (or advance) spending may present itself. It discusses the major factors that are often taken into consideration in applying the policy in these scenarios, subject to the restrictions and guidelines of the sponsor.

- New awards

A new award may be preceded by an informal notification that Howard University is the award recipient. There may be a delay between the *informal* notification of the award and the receipt of the *formal* notice of grant award. The informal notification may indicate a high probability that Howard University will receive the award. Also, in some cases the nature of the project may involve a "ramp up" period for assembling resources and infrastructure prior to the beginning of the performance period. In these cases, it may be advantageous to begin undertaking initial activities in advance of the start date. However, pre-award spending accounts on new awards are considered to carry elevated risk precisely because they are new.

- Competing Continuations

Competing Continuations are awards for a sponsored program that has received previous funding, usually for multiple years, and is competing with other institutions for a new period of award funding. Ongoing sponsored program activities may be subject to competing continuations, which, by definition, have an element of uncertainty regarding whether the sponsor will decide to award funds for a new period of performance. Competing continuations are treated as new awards for purposes of this policy. Counterbalancing the risk associated with these awards is the possible need to assure the continuity of the sponsored program if the sponsor's decision is to continue support. In situations where there is a gap between the end of one funding segment and the beginning of the next, if the probability of continued funding appears to be high, pre-award spending may be prudent and appropriate.

- Non-competing Continuations

Non-competing Continuations are awards for the second or subsequent funding periods under a multi-period award for which the recipient is not competing with other institutions. Typically, the sponsoring agency will release a non-competing continuation award letter based on a satisfactory progress report from the PI/PD subject to available funding under its agency appropriation. Advance spending is generally not necessary in non-competing continuations because funding typically continues without interruption. However, there may be occasions when an advance spending account is appropriate. For instance, if the current year's funding is exhausted before the end of the year, it may be necessary to request an advance on the non-competing renewal year to continue scientific progress. An advance might

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also be appropriate if the renewal award is delayed. While NIH guidelines allow “grantees (to) incur pre-award costs before the beginning date of a non-competing continuation award,” if the pre-award spending is expected to be substantial or if there is reason to believe that the subsequent year’s funds are at risk, such spending may not be prudent. The reason for delay in an award is normally an important consideration in determining the appropriateness of advance spending.

- **Subcontracts**

When a subrecipient requests pre-award (or advance) spending funds from the prime recipient, the financial risk is borne by the prime institution if the award or funding for the award has not been received. In the case of new awards, it is generally not prudent to engage internally in pre-award spending as a sub-contractor. However, if the prime institution has received a firm award from a reliable sponsor, but has not yet received the actual funds, such risk may be considerably diminished. Howard University may engage in approved pre-award (or advance) spending as a subrecipient. However, Howard University never authorizes pre-award (or advance) spending for its subrecipients.

- **Transfers**

If a PI/PD transfers from another institution and brings his/her grants to Howard University, it may be appropriate for Howard University to permit the transferring PI/PD to incur expenses in advance of finishing the official transfer of the grant between the PI/PD’s former institution and Howard University. Factors involved in this decision include the degree of Howard University’s certainty that the grant fund balance will be transferred, the position taken by the PI/PD’s former institution, the position taken by the sponsor, and the effect a delay might have on the conduct of the sponsored program itself. Such transfers are treated as new awards for purposes of this policy.

- **Personnel**

It is particularly important to ensure that personnel assigned to ongoing research projects are paid without interruption even if this means charging personnel costs to a guarantor account until sponsored funding is awarded. Therefore, the coordination of inter-departmental communication and processing of the proper documents, including advance accounts, for payroll continuity in a timely fashion is necessary.

Business Process Description:

Definitions

Pre-award Spending: Spending that occurs on an award prior to receiving the official award notice from the sponsor. Even when authorized by the sponsor, the recipient institution bears all the risk that the award may not materialize. It is important to assess that risk before engaging in such spending.

Advance Spending: Spending that occurs on an existing award prior to official notification that funding for the second or subsequent time period is approved and obligated by the sponsor. Even when authorized by the sponsor, the recipient institution bears all the risk that the award may not materialize. It is important to assess that risk before engaging in such spending.

Continuing Award: Either a Competing Continuation or a Non-competing Continuation.

Competing Continuation: An award for a sponsored program that has received previous funding, usually for multiple years, and for which the recipient is now competing with other institutions for a new period of award funding.

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Non-Competing Continuation: An award for the second or subsequent funding period under a multi-period award for which the recipient is not competing with other institutions.

The PI/PD's Department Chair/Dean, and the Provost in situations determined by the Office of the Provost, as well as OSP/RA, must approve all pre-award spending. The PI/PD completes a *Request for Advance Accounting Form* and attaches documentation evidencing support that the award is likely to be funded. This form should be submitted to the PI/PD's Department Chair, Dean and/or Provost for review and approval. In general, pre-award costs are limited to 10% of the amount expected for the next award period (i.e., typically one year of funding) to protect the college/school from a significant financial loss; but the PI/PD should request an amount that realistically is needed to cover the project's activity during the pre-award period even if that amount exceeds the 10% guidance.

If the Department Chair and Dean determine this risk is acceptable, they sign the authorization and provide an account to which any pre-award (or advance) expenses may be charged if the award is not received. The Provost's signature may also be required based on guidelines established by the Office of the Provost. When this form is complete, the PI/PD submits it to OSP/RA (for pre-award spending) or GCA (for advance spending) as appropriate for approval.

OSP/RA (for pre-award spending) or GCA (for advance spending) reviews the request for potential financial or compliance risks, consistency with sponsor guidelines, and the award's terms and conditions. This includes reviewing documentation provided by the PI/PD supporting the likely receipt of the award. OSP/RA and GCA are authorized to approve pre-award spending up to 10% of the expected amount to be awarded for the next period, not to exceed \$25,000.

Any request for pre-award (or advance) spending greater than 10% of the amount expected for the next period, or greater than \$25,000, requires the approval of both the Chief Financial Officer and the Senior Vice President for Research and Compliance.

Roles and Responsibilities:

Academic Department

- **Principal Investigator/Project Director (PI/PD):** The PI/PD, in conjunction with the Department Chair and Dean, is ultimately responsible for all pre-award (or advance) spending not subsequently covered by the sponsor. The Principal Investigator/Project Director (PI/PD) initiates all requests for pre-award (or advance) spending, including the designation of the guarantor account, by submitting the request to OSP/RA. If pre-award (or advance) spending is approved and a pre-award (or advance) account is established, the PI/PD monitors the spending against the account to assure that it stays within the approved limits. Throughout the process, the PI/PD works closely with the Research Administrator in OSP/RA and the Accountant in GCA to assure that this policy is followed.
- **Department Chair/Dean:** The Department Chair/Dean indicates his/her approval of the request for pre-award (or advance) spending by signing the original request submitted by the PI/PD. In most cases, the Department Chair/Dean is involved in designating the account that guarantees the pre-award (or advance) spending amount if the sponsored research award does not materialize. **In these cases, the Department Chair/Dean becomes the approval authority and assumes the financial risk, on behalf of his/her Department, associated with pre-award (or advance) spending.** In the event that the designated account does not have the necessary funds to guarantee the pre-award (or

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advance) spending, the Department Chair/Dean must designate an alternative account with adequate funds to cover the pre-award (or advance) spending amount.

- **Provost:** The Office of the Provost establishes guidelines for Deans and Department Chairs regarding the designation of guarantor accounts and establishes the threshold above which the Provost's prior approval is necessary.

Office of Sponsored Programs/Research Administration

- **Research Administrator (RA):** The Research Administrator receives all requests for pre-award spending and assesses whether sponsor guidelines or the award's terms and conditions prohibit such spending. If neither sponsor guidelines nor the award's terms and conditions prohibit such spending, the RA assesses the risks and benefits of pre-award spending based on the circumstances outlined in this policy, makes a recommendation regarding the establishment of a pre-award spending account to the OSP/RA Manager, and notifies GCA if the pre-award spending is approved.
- **Manager:** The OSP Manager may approve establishment of a pre-award spending account up to 10% of the expected funding or \$25,000.

Office of Sponsored Senior Vice President for Research and Compliance

- **Senior Vice President:** The Vice President for Research and Compliance, in conjunction with the Chief Financial Officer, may approve pre-award (or advance) spending above 10% of the expected award or above \$25,000.

Grants and Contracts Accounting (GCA)

- **Director:**
 - The Director receives all requests for advance spending and assesses whether sponsor guidelines or the award's terms and conditions prohibit such spending. If neither sponsor guidelines nor the award's terms and conditions prohibit such spending, the Manager assesses the risks and benefits of advance spending based on the circumstances outlined in this policy, makes a decision regarding the establishment of an advance spending account, and assigns the account set-up to an Accountant, including the encumbrance of the guarantor account.
- **Accountant:**
 - The Accountant establishes the advance spending account and encumbers the guarantor account.
 - If a pre-award spending account is approved by OSP/RA, the Accountant establishes the pre-award spending account and encumbers the guarantor account.
 - The Accountant monitors actual spending against the approved budget, periodically assesses the guarantor account to ensure that there are adequate funds to guarantee the pre-award (or advance) spending and assures that the spending adheres to applicable principles and time constraints. Periodically, the Accountant produces financial reports for OSP/RA and others.

Office of the Chief Financial Officer

- **Chief Financial Officer:** The Chief Financial Officer, in conjunction with the Vice President for Research and Compliance, may approve pre-award (or advance) spending above 10% of the expected award or above \$25,000.

Related Processes/Events:

- Management Reporting Policy
- Cost Sharing Policy

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- Proposal Development & Submission Policy
- Subcontract Execution and Approval Policy

Forms and Links:

- OVPRC Website <http://ovprc.howard.edu>
- OMB Circular A-110, “*Uniform Administrative Requirements for Grants and Agreements with Higher Education, Hospitals, and Other Non-Profit Organizations*”
www.whitehouse.gov/omb/circulars/A110/A110/html
- OMB Memorandum M-01-06 (January 5, 2001), “*Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs*”
www.whitehouse.gov/omb/memoranda/M01-06.html
- OMB Circular A-21, “*Cost Principles for Educational Institutions*”
www.whitehouse.gov/omb/circulars/A021/A021.html
- NIH Grants Policy Statement
http://grants.nih.gov/grants/policy/nihgps_203/