

University Policy: Pre-Award Spending on Research Grants

Policy Category: Research

Subject: Pre-Award Spending/Advance Accounts/Risk Accounts

Responsible Executive: Provost

Office Responsible for Review of this Policy: Vice Provost for Research

Procedures: As described below

Related University Policies: Accounts Payable – Policies, Procedures, & Guidelines; Procurement and Contracts – Polices, Procedures, & Guidelines; Procurement and Contracts – Visa Purchasing Card

I. SCOPE

This policy provides a mechanism to allow Principal Investigators (PIs) to incur costs for sponsored research awards that have not yet been awarded to the University, or for incremental awards for which the new budget period has not yet been awarded to the University, all in cases where there is a high likelihood that the awards will be received.

II. DEFINITIONS

Pre-Award Spending

Pre-Award Spending is spending that occurs on an award before the funder's official award notice is received by the University. Pre-award spending may also include spending that occurs after the official receipt of the award but before the account has been established for the award.

Advance Accounts

Advance Accounts are accounts from which spending occurs on an award (a) before the funder's official award notice is received by the University or (b) before official notification that the renewal or continuation of an existing award has been approved, obligated and authorized, provided reasonable assurance by the sponsor.

III. POLICY STATEMENT

The Office of Sponsored Programs (OSP) will approve Advance Accounts and authorize Pre-Award Spending when the following conditions are met:

1. A funder (e.g., federal or state agency, private foundation) has provided sufficient documented written assurance from an appropriate organizational official, as determined by the Director of OSP, that funding is imminent.
2. The PI can demonstrate a need to incur expenses prior to the official start date of the award (i.e., pre-award spending if permitted) or prior to the receipt of the fully executed award document (i.e., advance accounts). Situations in which an account may be requested for a new project include, but are not limited to, the following: the purchase of equipment or supplies to conduct a project or the bulk purchase of materials to secure a time-limited discount. On continuing projects, advance spending may be requested to purchase supplies or to support critical employment commitments. In the case of contracts being negotiated, pre-award spending may be approved where there is a high degree of likelihood that the contract terms and conditions will be resolved and are in accordance with regular university contract parameters.
3. A full copy of the funding proposal for the project is on file within OSP.
4. All required research assurances and compliance approvals have been obtained, e.g., for Conflict of Interest, IRB, IACUC, IBC, Environmental Health and Safety (EH&S) and Risk Management.
5. The proposed dates for the advance account are no more than 90 days prior to the anticipated start of the award. Pre-award spending will occur within the 90-day period prior to the start date identified by the sponsor.

The maximum duration of advance accounts is 90 days. The value of advance accounts is capped at 25% of the total value of the award from the sponsor.

IV. PROCEDURES

A. Roles and Responsibilities

1. Principal Investigators (PIs) are responsible for the content of pre-award or advance account requests submitted to OSP for review and approval, e.g., that requests are congruent with approved institutional policy and sponsor requirements. Pre-award or advance account requests by PIs may be mailed to osp@american.edu.
2. The Vice Provost for Research is responsible for the policy and will review the policy and procedures on an established schedule. The Vice Provost for Research is also responsible for the procedural oversight of this policy and related procedures.
3. The Director of the Office of Sponsored Programs (OSP) is responsible for responding to inquiries about this policy and requesting grant account set up from the Controller's Office, specifically, Grants and Contracts Accounting (GCA).
4. GCA will be responsible for the assignment of the grant account number and for on-going review of account status. On a quarterly basis, GCA will provide the Vice Provost for Research and the Director of OSP a report with the current financial standing of all advance accounts.

B. Financial Risk

If the award to the University does not occur or the project dates are inconsistent with the account set-up dates, the financial risk is assumed by the PI's academic unit. The academic unit will be required to provide a general account number when the risk account is established to ensure that all unauthorized or unfunded pre-award expenses are subsequently allocated to the academic unit.

C. Scenarios

This section presents several scenarios in which requests for pre-award or advance spending may be warranted and prudent. Following the guidelines and restrictions of individual sponsors, these scenarios demonstrate situations in which this policy may be constructively applied.

1. **New Awards.** Prior to the receipt of a new award, the University may receive an informal notification that an award is forthcoming from a sponsor. There may be a delay between the informal notification of the award and the receipt by OSP of the official notice of award. In cases where the informal notification of award indicates a high probability of award, and there is a compelling need for a "ramp up" period for constructing the infrastructure and resources to support the project before the performance period, it may be beneficial to the success of the project to begin preliminary activities on the project in advance of the start date. It is important to note that advance spending accounts on new awards carry a higher level of risk due to uncertainties that funding will materialize.
2. **Competing Continuations.** Awards for sponsored projects that have received funding previously and are competing with other institutions for an award for a new funding period, by definition, have an elevated level of risk regarding whether the sponsor will award funds for an additional performance period. Therefore, competing continuations are treated as new awards and risk of non-renewal of funding is balanced against the need for continuity in the project in consideration of the sponsor's likelihood to award support for an additional performance period. In circumstances where there exists a gap in funding between the end of one funding period and the start of the next one, it may be appropriate and beneficial to establish an advance account or to authorize pre-award spending when the probability of continued funding is high.
3. **Non-Competing Continuations.** Awards for the second or subsequent funding period in a multi-year award, for which the PI is not in competition with other institutions, do not carry the same degree of risk as competing continuations. The sponsoring agency typically will issue a non-competing continuation award letter following acceptance of a satisfactory progress report from the PI, based on available funding in its agency or foundation appropriation budget. In this scenario, there is typically no interruption in funding, limiting the need for advance spending. An advance spending account may be warranted in situations when a current year's funding is used before the end of the performance period or if the renewal award is delayed. In the case of a delayed award, the reason for the delay would be an important consideration in the approval of the requested advance spending account.

4. **Subcontracts.** In cases where a sub-recipient requests pre-award or advance spending funds from the prime recipient, the prime institution bears the financial risk if the award or funding for the award is not received. With regard to new awards, it is generally not advisable to provide internal funds for pre-award spending as a sub-contractor. This risk is reduced if the prime institution has received clear indications that funds will be awarded from a credible sponsor, when those funds are not yet received. The University may engage in approved pre-award or advance spending as a sub-recipient, but does not authorize pre-award or advance spending for its sub-recipients.

5. **Transfers.** If a PI transfers from another institution and brings sponsored awards from another institution, it may be appropriate in some cases for the University to allow the transferring PI to incur expenditures in advance of the actual transfer of the award from the previous institution to American University. The decision to allow pre-award expenditure will depend on a number of factors including: the likelihood of the transfer of the balance of the award, any restrictions placed on the transfer by the previous institution or the sponsor, and the impact of an interruption of funding to the success of the sponsored program. Transfers of sponsored awards to the University are treated as new awards.

V. EFFECTIVE DATE AND REVISIONS:

This Policy is effective as of September 1, 2015.