

Prepared by Contracts and Grants Management Office.
This is a NEW Procedure.

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A8.900 ACCOUNTING FOR RESEARCH & TRAINING
CONTRACTS & GRANTS

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A8.953 Pre-award Costs for Externally Financed Programs and Activities

1. Purpose

To insure the timely start-up or uninterrupted continuation of externally financed programs and activities of the University by authorizing expenditures before the effective date of a contract or grant award.

2. Objectives

This document establishes the policies and procedures for pre-award costs according to statutory requirements and sound management practices.

3. Definitions

New Award - An award for a project that was not previously receiving financial assistance.

Renewal (Competing Continuation) Award - An extension, for one or more additional budget periods, of a previously approved project. This may be in the form of a new award (different award number), or a continuation of the same award.

Non-competing Continuation Award - An award for a second or subsequent budget period within a previously approved project period.

4. Applicability

These guidelines and procedures shall be applicable to awards that are new, renewals or non-competitive continuations that require separate accountability for each budget period. Non-competitive continuation awards that do not require separate accountability for each budget period are excluded from these

guidelines and procedures. The award must be approved for funding and there must be a need to incur cost, for effective and economical conduct of the project, before the effective date of the award.

5. Guidelines

Under exceptional circumstances there may be a need to incur cost before the effective date of a contract or grant award. To insure that pre-award costs are accounted for according to sound management practices, and to safeguard the University against potential financial losses, the following criteria shall govern the authorization(s) of request for pre-award costs.

- a. The University, through Office of Research Administration (ORA), has received written or verbal assurance from the sponsoring agency's program officer that a program or activity has been recommended for funding, with a recommended start and end date, a recommended dollar amount of authorized funding, a recommended program budget, if amount is different from the proposed amount, and the anticipated receipt date of an award document.
- b. Delay of expenditures will seriously impair critical program requirements of the project. Critical program requirements include but are not limited to:
 - (1) The continuation of essential project employees to avoid losing experienced or uniquely qualified personnel under intermittent funding conditions;
 - (2) Urgent purchase requirements of the program which require immediate action since delays would adversely impact the program or activity, or significantly increase the cost.
- c. In general, the periods for which pre-award costs are authorized for a contract or grant is subject to the written prior approval of the sponsoring agency. However, many agencies, through the Federal Demonstration Project (FDP) and other agency guidelines, have waived the requirement to approve in advance pre-award costs incurred up to ninety (90) days before the effective date of a grant award. When agencies waive

their prior approval requirements for pre-award costs, the University, through ORA, shall have the authority to approve all requests for pre-award costs incurred up to ninety (90) days before the projected start date of the grant award.

- d. Pre-award costs that are subject to the sponsoring agency's prior approval shall not exceed limitations imposed by the sponsoring agency. If the sponsoring agency's required prior approval does not address an amount or the sponsoring agency has waived its prior approval as discussed in paragraph c. above, the pre-award cost shall follow the limitations established for advanced funding in APM A8.952.

6. Procedures

- a. The Principal Investigator (PI) shall confer with the Fiscal Officer (FO) to evaluate the possible need for pre-award costs.
- b.  If they determine that the operational needs of the program, based on the guidelines prescribed above, require pre-award costs, they shall obtain the following required approvals:
 - (1) For all contracts, and for those grant awards in which the sponsoring agency retains the right of prior approval for pre-award costs, written prior approval shall be requested from the sponsoring agency. Such request shall be submitted through ORA.
 - (2) For grant awards where the sponsoring agency has waived the requirement to approve in advance pre-award costs incurred up to ninety (90) days before the effective date, written approval shall be requested from ORA. The request must include proper justification of the need to incur pre-award cost.
 - (a) The PI in conjunction with the FO shall complete a Prior Approval Form and forward it to ORA.

- (b) ORA shall review the request to determine whether it meets the guidelines prescribed above.
- (c) If approved, ORA shall return the yellow copy of the Prior Approval Form to the FO.
- c. Procedures for requesting advanced funding are defined in APM A8.952.

7. Responsibilities

- a. The PI shall be responsible for requesting, through ORA, funding agency's approval of retroactive authorization, or authority for expenditures exceeding ninety (90) days before the effective date.
- b. The FO shall be responsible for ensuring that expenditures for a contract or grant award, are not incurred before the effective date without the required approval documentation on file.
- c. ORA shall be responsible for reviewing, and if appropriate, approving PI's request for pre-award expenditures, when the sponsoring agency has waived its requirement to approve such costs.
- d. CGMO shall be responsible for ensuring compliance with the established policies and procedures.

8. Monitoring of Pre-award Period

Fully executed contract or grant awards may be received with an effective date that is different from the one that was projected. If the effective date is later than the one projected there is the possibility that pre-award expenditures were incurred without the required approval documentation on file. Additional action will be required to support expenditures.

- a. For all contract or grant awards in which an advanced account was established, the FO shall compare the effective date with the one that was projected on the Request for Advanced Account Code Form. No further action will be required if the effective date is the same or before the one that was projected.

- b. When the effective date is after the one projected the FO shall perform a review of expenditures to determine if any were incurred before the effective date. No further action will be required if there are no expenditures incurred before the effective date.
- c. When expenditures have been incurred before the effective date the FO shall ensure that the appropriate approval, based on the above guidelines, has been obtained and on file.

9. Monitoring for Compliance

In addition to built-in controls, such as the departmental reviews and approvals, there will be compliance review performed by CGMO Compliance Office to provide assurance that the above policies and procedures are being adhered to.