

Clark Atlanta University

Policy 7.7.14 - Advance/Pre-award Costs Approval For Externally Funded Projects



POLICY/PROCEDURE	Subject: Advance Expenditure Authorization/Pre-award Costs Approval	
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Policy 7.7.14 Advance Expenditures Authorization/Pre-award Costs Approval for Externally Funded Projects

1.0. Policy Statement

The University will act on the Principal Investigator's (PI) or Program Director's legitimate reasons for requesting advance or pre-award expenditure authorization and funding to begin work on externally funded projects in advance of a signed agreement. The extent to which these costs create risk in the event that sponsored agreements are not finalized or the sponsor declines to pay; the costs will be absorbed by the University, providing such costs meet the criteria listed below in Section 1.10. The benefits to the University must outweigh any risks.

1.10. The University will further consider and act, without external sponsor prior approval, incurring obligations and expenditures to cover pre-award costs up to 90 days before the beginning date of the initial project period of a new or competing continuation award, if such costs:

- are reasonable and necessary to conduct the project;
- would be allowable and allocable under the grant, cooperative agreement, or contract, if awarded, without external sponsorship prior approval;
- would prevent the delay in initiating critical program requirements beyond the existing current budget period;
- would prevent the adverse impact to the program or the significant increase in costs; and
- would capture the effort, if applicable, at the time it occurs. Thus, effort must be certified for work conducted on the project that has the advance expenditures/pre-award account charges.

1.20. If specific expenditures would otherwise require prior approval, the University must obtain federal sponsorship approval before incurring the cost. Also, federal sponsorship prior approval is required for any costs to be incurred more than 90 days before the beginning date of the initial budget period of a new or competing continuation award.

1.30. The University may incur pre-award or advance costs before the beginning date of a non-competing continuation award or from a private or state funding agency, without regard to the time parameters stated above. However, the University is fully aware that the incurrence of pre-award costs in anticipation of a competing or non-competing award imposes no obligation on the funding agency 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.

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2.0. Procedures Narrative

The procedures to this policy ensure accountability for the funds and compliance with sponsor regulations. The award document is the funding agency's official obligation of funds for a project. Many awards cover a multi-year project period made up of several shorter (usually 12-month) budget periods. Funds often are awarded in budget period installments. The procedures are applicable to all sponsored awards from external sponsors, unless the special terms and conditions for the particular award require otherwise. The entire authorization and approval process shall take no more than seven (7) calendar days to complete after the PI's initial request is submitted.

A renewal or competing continuation award provides funds for the extension of an award beyond the original award period and/or budget period.

2.1.0 Advance Expenditure Authorization

The award document is the only source document and authority the University has to recover funds which are expended at the direction of the Principal Investigator from the sponsor. The award document gives the University such authority only for the awarded project period. Expenditures made prior to the awarded start date or after the awarded termination date of the project will not be paid by the sponsor. Thus, any expenditure made before receipt of the formal award document, which conveys official notice of the project start date, places the University at financial risk.

2.2.0 Special Circumstances

There are, however, special circumstances when award documents are delayed beyond the time it is necessary to begin the work which will be authorized by the award. When such circumstances arise, the Principal Investigator shall request through the Vice President for Research and Sponsored Programs and the Vice President for Finance and Business Services, advance expenditure approval. The request, directed to the Office of Grants and Contracts Accounting, should:

- identify the anticipated award amount and date;
- identify the requested advance amount and dates (usually no more than two months);
- meet the critical requirements to support the need for funds to be advanced to the project;
- allocate the requested funds to appropriate budget categories in the advance account established by the Controller's Office; and
- indicate the time period for which advance funding is requested (usually a two-month period).

2.3.0 Initiation of the Advance Request

The initiation of the request for advance fund spending occurs with the completed and submitted Advance Expenditure Authorization/Pre-award Costs Approval Form (FBS-R01). Since funds available for advance expenditure are extremely limited and at risk, such actions will be restricted to amounts that will allow minimal functioning of the project and will generally be approved only for personnel and other essential expenses.

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Upon determining need for advance project funding, the Principal Investigator shall complete and submit a request on the Advance Expenditure Authorization/Pre-award Costs Approval form, which when approved will establish the advance account. The request will be presented to the Vice President for Research and Sponsored Programs for approval. In all cases, the request will require the approval of the Vice President for Finance and Business Services. The Budget Office shall be consulted for input and review, as well.

2.3.1 The following guidelines apply for the initiating of an advance account:

- a) The Office of Grants and Contracts Accounting must be able to confirm with an authorized representative of the sponsor that the anticipated award will be made for a period of performance that covers the entire period for which advance expenditure authority has been requested and for an amount at least equal to the amount of the requested advance. Such confirmation will ordinarily be in the form of a letter of intent from the sponsor or a notice of award already submitted to the PI or Program Director;
- b) Advance accounts will be approved for limited periods, generally not more than two months at a time, and the source of funds will be unrestricted funds;
- c) The Principal Investigator must be prepared to terminate the project on short notice, even possibly before the approved advance account has been fully expended, if the Division of Research and Sponsored Programs determines that the anticipated award will not be made;
- d) PI has completed and submitted any required annual reports, if applicable;
- e) All regulatory requirements have been satisfied before activity related to those issues can begin;
- f) The principal investigator complied with PI eligibility requirements; and
- g) Expenditures made under an Advance account must conform to the sponsor's regulations, the fiscal agent's policies and procedures, and the budget submitted to the sponsor.

2.3.2 The initiation of the request for pre-award advance spending occurs with the completed and submitted Advance Expenditure Authorization/Pre-award Costs Approval form (FBS-R01). The authorization will be for the establishment of a pre-award account before the project start date (e.g., a federal award that starts on June 1, 2013, but the principal investigator needs to begin project setup on March 1, 2013). The form will consist of the required signatures of the principal investigator (PI), Vice President for Research and Sponsored Programs, and the Vice President for Finance and Business Services. The Budget Office shall be consulted for input to and review of the requested pre-award account.

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2.4.0 Pre-award Costs Authorization

The University may incur pre-award costs 90 calendar days prior to award or more than 90 calendar days with the prior approval of the Federal awarding agency, Vice President for Research and Sponsored Programs, and the Vice President for Finance and Business Services. Pre-award costs authorization can be acquired prior to award acceptance providing the following critical requirements are met:

- a) The Principal Investigator (PI) provided the Vice President for Research and Sponsored Programs (VPRSP) and the Office of Grants and Contracts Accounting with sponsor's assurance that a proposal has been recommended for funding by the sponsoring agency, with a recommended start date, end date, and amount of initial obligation;
- b) Any delay in initiating or continuing critical program requirements beyond the existing current budget period or amount may adversely impact the program or significantly increase the cost;
- c) PI has completed and submitted the required annual reports, if applicable;
- d) All regulatory requirements have been satisfied before activity related to those issues can begin;
- e) The principal investigator complied with PI eligibility requirements;
- f) The pre-award account start date must be within the pre-award period allowed by the sponsor, and the source of funds will be unrestricted funds; and
- g) The Principal Investigator shall complete and submit another request on the Advance Expenditure Authorization/Pre-award Costs Approval form to incur pre-award costs *outside of 90 days maximum*.

The Principal Investigator must review the terms and conditions of a particular award before submitting a request for pre-award costs authorization and approval to ensure these procedures will be applicable to the award.

2.5.0 Advance/Pre-award Account Setup

The Office of Grants and Contracts Accounting will review the submitted Advance Expenditure Authorization/Pre-award Approval form to make sure that it includes the necessary approvals and supporting information. The Controller's Office will establish an account number and notify both the principal investigator and the Division of Research and Sponsored Programs. The effective date of a pre-award account will be the date of final signature on the pre-award account request form (Advance Authorization/Pre-award Costs Approval - FBS-R01) by either the Vice President for Finance and Business Services, or Vice President for Research and Sponsored Programs, or the effective date requested on the form, whichever is later.

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2.6.0 Monitor Pre-award/Advance Accounts

2.6.1 Expenditures:

The Office of Grants and Contracts Accounting and Research and Sponsored Programs staff must review and reconcile project financial reports to ensure that pre-award expenditures meet the sponsored agency's criteria, and are at appropriate spending level. If spending level appears to be excessive, the Office of Grants and Contracts Accounting should stop processing documents and refer the matter to Division of Research and Sponsored Programs.

2.6.2 Age Account: (the number of days since an account has been active)

The Office of Grants and Contracts Accounting will use an aging process to monitor the elapsed time of the establishment of Pre-award and Advance Accounts. If the account has been established for an excessive period of time (e.g., more than 90 days), the Office of Grants and Contracts Accounting shall follow up with the sponsor or the principal investigator to ensure that the awarded funds will be forthcoming and also inform the Division of Research and Sponsored Programs. In addition, the Office of Grants and Contracts Accounting in consultation with the Division of Research and Sponsored Programs will request explanations or facilitate closing of unawarded projects.

3.0 Entities Affected By This Policy

Principal Investigators, Research Faculty, School Deans, Division of Research and Sponsored Programs, and the Division of Finance and Business are affected by this policy.

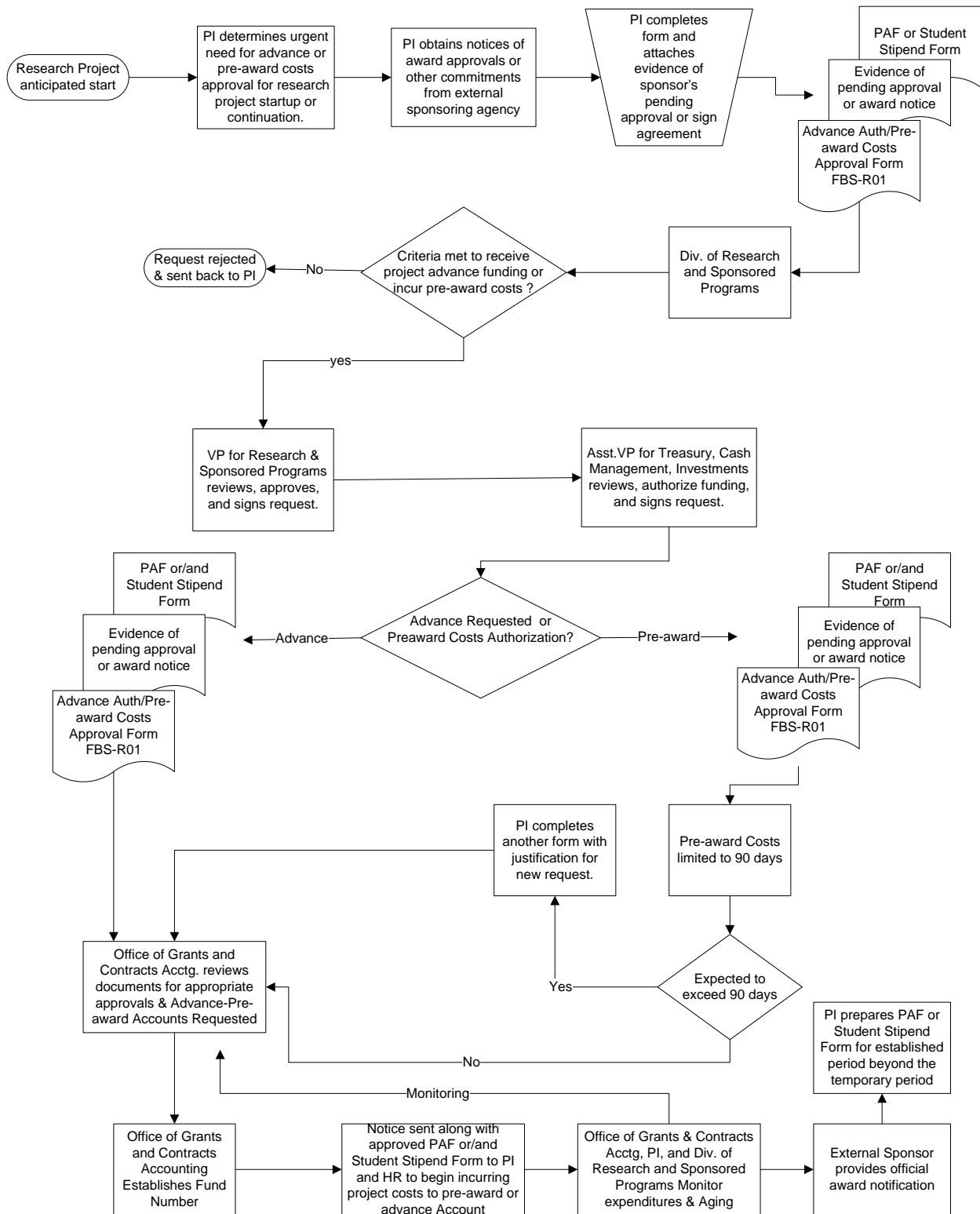
4.0 Definition of Key Terms

Contract and grant terminology includes common designations for a series of awards:

- **A new award** - the original award of funds.
- **A continuation award** - obligates funds for a subsequent budget period within an existing project period.
- **A supplement** - adds funding to an existing budget period for additional work or costs not anticipated in the original proposal or award.
- **Advance** - covers urgent costs starting on or after the project effective date.
- **Pre-award costs** -cover urgent costs occurring no more than 90 days before the proposed award effective date.

(The Flowchart of the Process appears on the next page)

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Clark Atlanta University

Advance Expenditure Authorization/Pre-award Costs Approval Form

PI Name:	External Sponsor:
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Project Title:

Proposal ID, Award/Contract No., and Project ID, if known:
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Advance Acct. No.:	Restricted Acct. No. (for continuations/renewals):
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<input type="checkbox"/> Advance Funding & Time	<input type="checkbox"/> Pre-award Costs, when allowed by the sponsoring agency.
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ADVANCE/PRE-AWARD AMOUNT REQUESTED	ADVANCE (60 days max.) /PRE-AWARD (90 days max.) DATES
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Direct Costs (Guarantee Acct. req.)	\$		Begin Date	
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F & A (Indirect) Costs	\$		End Date	
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Total	\$	0.00		
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Advance requested under CAU's Policy on Advances/Pre-award Costs for Externally Sponsored Projects

AWARD AMOUNT ANTICIPATED	AWARD DATES ANTICIPATED
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Direct Costs	\$		Begin Date	
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F & A (Indirect) Costs	\$		End Date	
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Total	\$	0.00		
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Brief Justification for requested funding:

CRITICAL REQUIREMENTS: This request will be considered *only* if: (1) the following conditions are met, and (2) supporting documentation provided:

- The PI has provided Vice President for Research and Sponsored Programs (VPRSP) with sponsor's assurance that a proposal has been recommended for funding by the sponsoring agency, with a recommended start date, end date, and amount of initial obligation as shown above.
- Any delay in initiating or continuing critical program requirements beyond the existing current budget period or amount may adversely affect the program or significantly increase the cost. Critical requirements include, but are not limited to:
 - (a) The continuation of essential employees to avoid losing experienced or uniquely qualified personnel under intermittent funding conditions;
 - (b) Urgent purchasing requirements which require immediate action; or
 - (c) Student participant support and expenditures for the sponsored program are time sensitive and must be started to ensure the project won't be adversely affected.
- Only requested *direct* cost amount specified above. PI or Program Director has completed and submitted the required interim and annual reports, when applicable.
- The award is expected within 60 to 90 days for competing continuation or new awards.

Attachments Required, as applicable:

- Detailed justification for advance—always required.
- Personnel Action Form(s) and Student Stipend Payment Form(s).
- Documentation of external sponsor's assurance of funding or approval of proposal.

CERTIFICATION/APPROVAL: Each of the signatories below hereby certifies that (1) s/he has read the CAU Policy on Advance Expenditure Authorization/Pre-award Costs/ Advances Approval for Externally Funded Projects; and (2) s/he understands the risks and responsibilities associated with the program or project related expenditures.

NAME	SIGNATURE	DATE
PI's or Program Director:		

Approved by the Division of Research and Sponsored Programs

SIGNATURE: VP for Research and Sponsored Programs	DATE:
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Approved by the Division of Finance and Business Services

SIGNATURE: Assistant VP for Treasury, Cash Management, Investments**	DATE:
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