

Pre-Award and Preliminary Account: Policy

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Last Revised: July 2006

Responsible College Officer

Associate Controller for Research

Responsible Office

Research Accounting

Policy Statement

This policy outlines the requirements for obtaining a sponsored project account number before the sponsored project award process is completed and for incurring costs on a sponsored project account outside of the official project start and end dates.

Reason for Policy

There are instances when Principal Investigators (PIs) have a need to incur expenditures before WMC has officially accepted an award. Rather than charging these expenditures to non-sponsored accounts and having to process cost transfers after the award is officially accepted, pre-award and preliminary accounts provide the investigators with a sponsored account to enable them to efficiently begin the sponsored project. In requesting and accepting a pre-award or preliminary account on behalf of a PI, the department assumes the financial risk in the event the award is not made, not accepted, or if the terms of the award deem certain expenditures to be unallowable.

Who Should Know This Policy

- Dean
- Senior Administration – Vice Provosts, Associate Deans
- Director, Department Chair, Division Head
- Faculty
- Departmental/Divisional Administrators
- Finance Personnel – Research Accounting, Accounting Services
- Grants & Contracts Personnel
- Research Compliance Personnel
- Research Integrity Personnel
- All Employees
- Information Technology Personnel

- Human Resources Personnel
- Students

Contacts

Subject	Contact	Phone	E-mail
Policy questions	Kevin McGrath	(212) 680-7125	kjmcgra@med.cornell.edu
Grants and Contracts Questions	Amy Zier	(212) 821-0949	aaz2001@med.cornell.edu
Institutional research compliance issues	Barbara Pifel	(212) 821-0722	blp2001@med.cornell.edu

Applicable WMC Policies

- Cost Transfers on Sponsored Projects Policy
 - Time and Effort Reporting Policy
 - Charging of Direct Costs to Sponsored Projects Policy
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Applicable Federal Regulations

The NIH Grants Policy Statement provides the following Terms and Conditions related to pre-award costs:

“A grantee may, at its own risk and without NIH prior approval, incur obligations and expenditures to cover costs up to 90 days before the beginning date of the initial budget period of a new or competing continuation award if such costs:

- are necessary to conduct the project, and
- would be allowable under the grant, if awarded, without NIH prior approval.

If specific expenditures would otherwise require prior approval, the grantee must obtain NIH approval before incurring the cost. NIH 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.

Grantees may incur pre-award costs before the beginning date of a non-competing continuation award without regard to the time parameters stated above.

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.

NIH expects the grantee to be fully aware that pre-award costs result in borrowing against future support and that such borrowing must not impair the grantee’s ability to accomplish the project objectives in the approved time frame or in any way adversely affect the conduct of the project.”

Charging Costs Prior to Award Acceptance

Pre-award or preliminary accounts benefit WMC by facilitating administrative establishment of the project before institutional acceptance of an award, by providing PIs with the opportunity to initiate sponsored projects and incur associated expenses, and by reducing the need for cost transfers after the award is received.

New Projects: If PIs plan to charge expenses for a *new* or *competing renewal* award before the award has been received or completely processed, they must establish a pre-award or preliminary account. In order to establish the account, PIs must meet regulatory and educational requirements and process the proposal through Grants and Contracts, and the department must accept the financial risk if the award is not made.

- **A Pre-award Account is an account established before the project start date.** Some sponsors allow charges to be incurred prior to the start date of the agreement. Federal sponsors usually permit charges up to 90 days before the start date, and many industry sponsored clinical trials allow start-up costs on these projects. In these cases, the PI can request a pre-award account if consistent with applicable regulations.
- **A Preliminary Account is an account established before all parties have signed the contract.** Sometimes the agreement language of a grant or contract is still being negotiated on the anticipated start date. In these cases, the PI can request a preliminary account to begin the project because the expenses will be incurred during the proposed project period.

Continuing Projects: If PIs plan to charge expenses between non-competing continuation budget periods, they do not have to set up a pre-award or preliminary account if WMC is the prime institution on the award.

- In the case of NIH non-competing renewals or continuations awards, the NIH has committed to fund the project for multiple years provided the research is going well and funding is available. If the award is subject to expanded authorities, pre-approval is NOT necessary when the break is for 90 days or less because Finance will automatically set-up the new account number for the continuation period. In these cases, the acceptance of the "Notice of Grant Award" and incurrence of costs will imply pre-award authorization on the part of WMC.
- *When WMC is not the prime institution and is a subgrantee on a continuation or renewal*, the PI must follow the procedures for establishing a preliminary account before charging expenses between budget periods.

Acceptance of Risk:

In requesting and accepting a pre-award or preliminary account on behalf of a PI, the department assumes the financial risk in the event the award is not received or accepted under any circumstance. Acceptance of this risk must be documented in the *Pre-Award / Preliminary Account Request Form* to the Grants and Contracts Office that includes the language, "The department will be responsible for any cost incurred as a result of the pre-award or preliminary costs agreement." The department must also provide a departmental or non-sponsored funding source that should be charged in the event WMC does not receive the award. The PI and Department Chair must sign this form. Once the Grants and Contracts Office has approved this request for pre-award or preliminary costs, they will directly route the form to the Finance Office to set up a pre-award or preliminary account. The PI and any supporting administrative staff are responsible for monitoring the pre-award or preliminary accounts to ensure that all charges are being allocated to the correct account, and that all costs charged to a funding source are appropriate and correct, pursuant with WMC's *Cost Transfers on Sponsored Projects Policy*.

Roles & Responsibilities

Responsibilities	PI	Dept Admin	Dept/Div Chair	Grants & Contracts	Finance
Evaluate risk in establishing a pre-award or preliminary account	P		S		
Approve commitment of department or division funds if project not funded			P		
Request pre-award or preliminary account from G&C office with the <i>Pre-Award / Preliminary Account Request Form</i>	P	S			
Provide departmental or non-sponsored account number on form in case project not funded	P	S	O - L		
Approve request for pre-award or preliminary costs and route form to Finance				P	
Set up pre-award or preliminary account, and notify PIs and departments of account number					P
Monitor spending levels on pre-award or preliminary account for excessive spending in period	P	S			
Send monthly report of active pre-award or preliminary accounts to Grants and Contracts					P
Monitor status and age of accounts	P	S		P	
Consult with PIs and departments on age of accounts and facilitate closing of unawarded projects or extension of pre-award or preliminary accounts				P	
If the award is issued, determine appropriate treatment of account number					P
If no award issued, transfer pre-award or preliminary expenditures onto the departmental, non-sponsored account	S	P			

KEY
P = PRIMARY RESPONSIBILITY
S = SECONDARY RESPONSIBILITY
O = INSTITUTIONAL OVERSIGHT
O - L = LOCAL OVERSIGHT
I = PROVIDE INPUT

Procedures

Pre-Award and Preliminary Account: Procedures

Forms/Instructions

The following instructions and forms support this policy:

Pre-Award / Preliminary Account Request Form

Definitions

Term	Definition
Account	A place to record financial activity in the general ledger. Each account has specific characteristics that govern its use and presentation in financial reports.
Pre-Award / Preliminary Account	An account established before the award process has been completed in order to facilitate administrative establishment of the project.
Allowable Costs	Costs that are (a) reasonable; (b) allocable to sponsored projects under the principles and methods outlined in OMB Circular A-21; (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) conform to any limitations or exclusions set forth in OMB Circular A-21 or in the sponsored agreement as to types or amounts of cost items. (OMB Circular A-21, Section C2).
Cost Transfer	An after-the-fact reallocation of the cost associated with a transaction from one account to another account(s).
Direct Costs	Costs that can be identified specifically with a particular sponsored project, primarily research, instruction, or service, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. (OMB Circular A-21, Section D1).
Facilities and Administrative (F&A) Costs	Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (OMB Circular A-21, Section E1).
Federal Unallowable Costs	Costs identified as unreimbursable by the federal government in Section J, OMB Circular A-21 or by the specific sponsored project terms and conditions. This term supersedes the term "nonrecoverable cost."
Indirect Costs	See <i>Facilities and Administrative (F&A) Costs</i> .
Sponsored Project	An externally funded activity that is separately budgeted and accounted for and governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may be in the forms of grants, contracts, or cooperative agreements for research, instruction, and public service activities.