

Pre-Award and Preliminary Account: Procedures

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Responsible College Officer
Associate Controller for Research

Responsible Office
Research Accounting

Procedure Statement

These procedures outline the requirements for obtaining a sponsored 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.

Evaluate the Risk Involved in Establishing a Pre-Award or Preliminary Account

Because disallowed pre-award or preliminary account charges may result in significant expenditures being transferred to departmental accounts, it is important to consider carefully the risk factors involved with establishing one of these accounts. The department chair may request substantiation that there is a reasonable expectation the award will be forthcoming. It is strongly advised that the PI contact the appropriate sponsor, or awarding entity, before completing the *Pre-Award / Preliminary Account Request Form*. If informal assurances are not consistent with the proposed grant documents, a pre-award or preliminary account should not be established. Listed below are some risk factors to consider:

- All sponsors: the sponsor may not allow these accounts or may refuse to pay for costs incurred before the start date of the award.
- Foundations or associations:
 - the sponsor may have a policy that the start date of the project is the date of final signature (thus spending cannot begin until the award or contract is fully signed). The sponsor's policy supercedes WMC's policy.
 - the principal investigator (PI) may assume the start date will be the same as the date listed on the proposal or may have an informal agreement to begin on a certain date. The sponsor, however, may not process the award contract on a timely basis. If the award arrives at the College with a start date that is later than the proposed or assumed start date and the sponsor will not backdate the award, any preliminary account charges are unallowable unless specifically approved by the sponsor.

It is very important to be careful with pre-award or preliminary accounts for *subawards where WMC is a subgrantee of another organization*. All of the above issues apply for approval by both the sponsoring organization and the prime sponsor.

Ensure that Criteria for Establishing the Account are Met

Determine the type of account that will be requested:

- A pre-award account is an account established before the project start date (e.g., a federal award that starts on June 1 but the PI needs to begin project setup on April 1)
- A preliminary account is an account established before all parties have signed the contract

The following criteria must be met before a PI may establish either a pre-award or preliminary account:

- All regulatory requirements, including IRB and/or IACUC protocol approvals, must be satisfied before activity related to those issues can begin
- The PI must comply with education requirements
- The project must have a proposal fully processed through the Grants & Contracts Office
- The department must accept the financial risk in the event that the award is not made or the start date is changed

The following condition must also be met when establishing a pre-award account:

- The pre-award account start date must be within the pre-award period allowed by the sponsor

Request an Account

In requesting and accepting pre-award or preliminary costs 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*, which is submitted to the Grants and Contracts Office. It 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. On the form, the PI will need to indicate the effective start date of the pre-award or preliminary account. The PI and Department Chair must sign this form when it is submitted to Grants and Contracts.

A Grants and Contracts Specialist will then review the request form to verify that the proposal was processed through the Grants and Contracts Office, that the PI completed his or her education requirements, that all applicable protocol approvals have been included on the form, and that the pre-award account start date is within the pre-award period allowed by applicable sponsors. Once the Grants and Contracts Specialist has approved this request for pre-award or preliminary costs, he or she will directly route the form to the Finance Office to set up a pre-award or preliminary account. This form supplies the Finance Office with the information it needs to review the request, thus saving time required to request additional information from PIs. It also provides the approvers with an explanation for why the costs are necessary for conduct of the project, an assurance that the costs are allowable under the award, and a non-sponsored account number in the event the award is not received.

Receive Notification of Account Setup

Finance will review the request to make sure that it includes the necessary information.

Finance will establish an account number and notify the PI, department administrator, Grants & Contracts and other appropriate WMC departments. **The effective date of a pre-award account will be the date indicated on the form, which should be the beginning of the pre-award period (e.g., the pre-award account effective date is 90 days before the project start date for NIH awards). The effective date of a preliminary account will be the date requested on the form, which should be the anticipated project start date (as proposed in the pending award).**

Charge the Expenses

All pre-award and preliminary account costs must meet the following criteria in order to be charged to the account:

- Complies with institutional policies (e.g., *Charging of Direct Costs to Sponsored Projects and Cost Transfers on Sponsored Projects*).
- Allocable: The cost must have a direct benefit and be directly attributable to the project or activity being performed.
- Allowable: Costs must be allowed by WMC and sponsor policies.
- Reasonable and necessary for the performance of the project.
- Expenses must be charged in accordance with the sponsor's regulations (including the certification of effort) and the authorized pre-award budget (as requested in the form).
- Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable.
- Pre-award costs on federal projects must be incurred within the timeframe allowed by the sponsor. For example, most federal agencies allow institutions to approve pre-award costs within 90 days of the award's effective date. Costs incurred before this 90-day period require specific agency approval.
- Effort must be certified at the time it occurs. Thus, effort must be certified for work conducted on the project that has the pre-award or preliminary account.

Monitor Pre-Award / Preliminary Account

Expenditures:

Departmental staff and PIs must review financial reports to ensure that pre-award or preliminary expenditures meet the criteria outlined above.

Departmental staff and PIs must monitor spending levels on the pre-award or preliminary accounts. If spending appears to be excessive during the pre-award or preliminary period of time, staff should stop processing documents and refer the matter to the Department Chair and Finance.

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

Departmental staff and PIs must monitor the age of pre-award or preliminary accounts to ensure the pre-award period of time has not exceeded 90 days from when the project was expected to start. If the account has been established for an excessive period of time (e.g., close to 90 days),

the PI must work with Grants and Contracts to follow up with the sponsor to ensure that the awarded funds will be forthcoming.

On a monthly basis, the Finance office will run a report that lists all active pre-award or preliminary accounts and send to Grants and Contracts. Grants and Contracts will review the status and age of each account on this monthly report. When a pre-award account has been established close to 90 days (within 10 days of the 90 day period) and when a preliminary account has been established close to six months (within one month of the six month period), Grants and Contracts will request explanations from the PI and departmental staff to facilitate closing of unawarded projects. Grants and Contracts will evaluate the circumstances on a case-by-case basis in consultation with the PI and department and make a determination on the status of the account. Grants and Contracts will notify Finance if an extension of the account needs to be made. If Grants and Contracts determines not to approve an extension of the pre-award or preliminary account, no update or explanation will be sent to Finance, and Finance will automatically close the account at the expiration of 90 days for a pre-award account and six months for a preliminary account.

Upon Award Start Date or Finalization, Reconcile the Pre-Award / Preliminary Account to the Award

- **If award is issued:** Finance receives notification from Grants and Contracts that the award has been finalized or accepted. Finance will then review the award and determine the appropriate treatment of the account.
- **If no award is issued:** The department is responsible for transferring the charges from the pre-award or preliminary account onto the non-sponsored account listed on the *Pre-award / Preliminary Account Request Form*. Finance will terminate the pre-award or preliminary account upon notification from Grants and Contracts.
- **If some or all pre-award or preliminary account charges are not allowed by the sponsor:** If the sponsor disallows these charges, Grants and Contracts makes a note on the Notice of Grant Award (NOGA) for the new award that the charges must be removed. The department is responsible for transferring them onto the non-sponsored account listed on the *Pre-award / Preliminary Account Request Form*.