



Policy 4.7

Responsible
Executive: Doug
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PREAWARD EXPENDITURES POLICY

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Policy Statement

With proper approval, project costs may be incurred prior to the receipt of an award and/or the start date of an award, provided each of the following criteria is met:

- Costs are underwritten by the department administering the award.
- Costs are deemed necessary to the establishment of the project
- Costs meet the allowability requirements of OMB [Circulars A-21, A-110](#), and specific sponsor regulations.
- Sponsor's written prior approval is obtained when required.

Once these criteria are met and the necessary approvals obtained, Research and Sponsored Programs will forward the request to Grants Accounting for establishment of a pre-award spending account for ***essential expenditures***. In the event the award is not funded, the department/unit is responsible for any costs incurred.

Upon receiving notification that an award is forthcoming, a pre-award spending account is validated for a set period of 90 days but is not assigned a budget. All pre-expenditure charges are to be reviewed, approved, and processed by Grants Accounting.

When the actual award notification is received from the sponsor by Research and Sponsored Programs, the account will be converted from pre-expenditure status to fully authorized active project. If the award notification is not received within a 90-day period, the Project Director (PD) must request a prior approval request for an extension of the preaward expenditure authorization. If the request is not approved Grants Accounting will send a summary of expenditures to pay from departmental accounts. Because some award notifications may take longer than 90 days to arrive, the timing of notifying departments of expenditures is adjusted accordingly.

Reason for Policy

To establish a policy that will outline the circumstances and other administrative matters when a PD needs to incur expenditures prior to receiving the official award notice.

Entities Affected by this Policy

This policy applies to all PD seeking to spend grant funds prior to receipt of a sponsor's award notification.

Web Address

To be completed by the President's Chief of Staff.

Implementation

In order to establish a pre-award spending account, the following procedures must be followed:

- Complete the PAR form. The PD ***must identify a default account number*** in the explanation and justification block. This number is necessary to recover costs in case the sponsor deems pre-award costs as unallowable or chooses to not fund the project in whole or part.
- Once the form has all the administrative approvals, the PI/PD should retain a copy of the form and forward the original to the Research and Sponsored Programs.

Receipt of Award

Upon receipt of the fully negotiated award, Grants Accounting will issue a formal notice of award and attach a copy of the award document. Should the terms of the award, especially the approved award project period, make any of the project costs already incurred unallowable; such costs will be transferred automatically to the departmental fund and cost center designated on the PAR form.

Non-Receipt of Award

If an award is not made, the Special Funds Accountant will notify the PI/PD that the pre-award account will be closed. All costs incurred will then be transferred automatically to the departmental fund and cost center designated on the PAR form.

Online Resources and Forms

OMB [Circulars A-21,A-110](#)