

PROCEDURE NUMBER: FINA 3.00 Procedure

SECTION: Administration and Finance

SUBJECT: Sponsored Awards – Pre-Award Costs

DATE: November 1, 2024

REVISION:

Procedure for: All Campuses

Authorized by: Mandy Kibler

Issued by: Administration and Finance – Controller’s Office

Procedure Statement:

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 3.00. This procedure is applicable to campuses, units, departments, centers, Principal Investigators (PIs), and administrators at the University who are involved with the initiation, administration, and conduct of sponsored awards. The purpose of this procedure is to outline the circumstances and administrative steps required when pre-award spending is necessary for an award.

The pre-award cost procedure enables the University to incur necessary expenses before receiving a sponsored award, but this comes with significant financial risks and requires careful coordination with the sponsor. Approval must be sought according to sponsor terms, and PI/departments must be prepared to assume responsibility for costs if the award is delayed or not received.

A. Overview of Pre-Award Costs

Pre-award costs are expenses incurred before the effective date of a sponsored award. These costs must be necessary for the efficient and timely performance of the project’s scope of work. However, there is no guarantee that the sponsor will reimburse these costs if:

- The University does not receive the award,
- The award is delayed,
- The sponsor does not allow for pre-award costs, or
- The award is less than anticipated and does not cover the pre-award costs.

B. Requirements for Pre-Award Costs

For federal awards, pre-award costs may be allowable under the following conditions (per 2 CFR 200.458):

- The costs must be necessary and directly related to the scope of the project.
- The costs would have been allowable if incurred after the award date.
- The sponsor must approve the pre-award costs in one of the following ways:
 - Waived: Federal Demonstration Partnership (FDP) programs may waive prior approval through expanded authority, allowing the University to approve pre-award spending.
 - Granted: Written terms and conditions of the award may grant pre-award cost approval.
 - Requested: Written approval must be obtained from the sponsor prior to spending.

For non-federal awards, pre-award spending is governed by the sponsor's specific terms and conditions, and approval may be waived in some cases by the University (unless specifically restricted by the sponsor).

C. Pre-Award Spending Criteria

Pre-award costs can be incurred up to a specific number of days before the official start date of the award determine by the sponsor (typically 90 days), provided the following criteria are met:

1. **Necessity**: The cost is essential for the efficient and timely performance of the scope of work.
2. **Allowability**: The cost would be allowed under the award if incurred after the start date.
3. **Sponsor Approval**: The sponsor must allow pre-award spending through one of the methods outlined above (waived, granted, or requested).
4. **Financial Risk Acknowledgment**: The PI and department must accept responsibility for the financial risk of pre-award spending, ensuring alternative funding sources are available to cover these expenses if the award is not received or is delayed.

D. Risk, Liabilities, and Limitations

Before requesting approval for pre-award spending, it is critical to assess the following risks, liabilities, and limitations:

Risks

- The department assumes financial risk if the award is delayed or not received. If the award is lower than expected, it may not cover the pre-award costs.
- PI/Departments must ensure they have access to alternative, non-sponsored funds to cover these risks.

Liabilities

- The University may face issues if certain activities require a formal agreement to be in place before work begins. Without a fully executed agreement, certain project activities may not be able to proceed.
- Written documentation from the sponsor is required to demonstrate the likelihood of funding.

Limitations

- Pre-award spending is subject to sponsor policies, the type of award (grant, contract, cooperative agreement), federal regulations (Uniform Guidance), and the University's interests.
- The terms and conditions of the anticipated award also influence whether pre-award costs are allowable.

E. Roles and Responsibilities

The following roles and responsibilities outline how pre-award spending should be managed:

Principal Investigator and Department

- Initiate pre-award spending requests with the SAM Office before starting any project activities.
- Request a Risk Account to start spending based on the sponsor's approval of pre-award spending
 - Example: if an award allows 90 days pre-award spending starts on 10/1/20XX, the department/PI would request a Risk Account to start spending on 7/3/20XX
- Ensure that pre-award activities and spending are necessary and aligned with the project's objectives.
- Record pre-award expenses accurately in the financial system.
- Accept the financial risk associated with pre-award spending, acknowledging that the department may need to cover costs if the award is not granted.

Office of Sponsored Awards Management (SAM)

- Review pre-award spending requests for allowability based on the solicitation and sponsor guidelines.
- Coordinate with the sponsor to obtain approval for pre-award spending if required.
- Setup of Risk Account per the **SAM Office's Risk Account Procedure**.

Grants and Funds Management (GFM)

- Set up the award in the financial system to ensure pre-award expenses are properly recorded.
- If pre-award expenses are unallowable or the award is not received, provide guidance to the department on transferring the costs to non-sponsored accounts as necessary.

F. Resources and Forms

Resources, trainings, and guides can be found on the Controller’s Office website under the Grants and Funds Management and Resource and Training Toolbox sections.

History of Revisions:

DATE OF REVISION	REASON FOR REVISION
November 1, 2024	New Procedure
July 1, 2025	Added History of Revisions section