

A8.900 ACCOUNTING FOR RESEARCH & TRAINING
CONTRACTS & GRANTS

A8.952 Advance Funding Accounts for Externally Financed Programs and
Activities

1. Purpose

To ensure the timely start-up or uninterrupted continuation of externally financed programs and activities of the University of Hawaii (UH) before applicable award documents are executed.

2. Objectives

This administrative procedure was established to document policies, procedures and guidelines for establishing, administering, closing, and monitoring advance funding (temporary) accounts that comply with statutory requirements and sound management practices.

3. Background

In order to support UH faculty and staff who depend upon external funding to support their programs or activities, the University has established a process for funding expenditures incurred before an award has been officially executed. The mechanism that supports this process is the advance funding account.

Until an award is finalized, there remains a possibility that the anticipated award will not be received or, when the award is received, that it will reflect changes to the anticipated scope of work or budget. Therefore, the process of funding "advance" costs prior to an executed award incurs risk to UH.

The Principal Investigator's department/school bears the ultimate financial risk associated with expenses incurred in the advance-funding period that are not subsequently covered by an award.

To mitigate these risks and minimize administrative burden, it is important for Principal Investigators and others to act prudently in seeking advance-funding accounts and in incurring costs to support programs and activities for which external awards are pending.

4. Definitions

Award - The provision of funds by an external organization to UH, based on an approved application and budget or progress report, for the purpose of carrying out a project or activity.

Federal Demonstration Partnership (FDP) - A cooperative initiative among 10 federal agencies and various institutional recipients, including UH, that provides institutional recipients with expanded authority in order to reduce the burden associated with the administration of research contracts and grants.

For awards made by a FDP agency, the Office of Research Services (ORS) has authority to approve expenditures made prior to the award start date. For all other awards, written sponsor approval is required to use award funds to cover "pre-award" costs.

Advance Account Request - An internal approval process and form to authorize the establishment of an advance funding account.

Pre-Award Costs - Costs incurred on an award prior to official sponsor approved start date of the award.

Principal Investigator (PI) - Individual(s) who are responsible for fulfilling the scientific or technical work of an award and ensuring compliance with applicable administrative requirements of an award.

Fiscal Authority (FA) - Individual who advises PI(s) on allowability, prior approval, availability of funds, and other applicable administrative requirements of an award. Facilitates the processing of documents and approves these documents as required.

Key Personnel - Project Director / Principal Investigator and any other person identified as a senior / key personnel by UH on the grant application, progress report or any other report submitted to the sponsor.

Public Health Services (PHS) - primary division of the U.S. Department of Health and Human Services. For list of PHS components, refer to <http://www.hhs.gov/about/orgchart/>.

5. Applicability

These policies, procedures and guidelines are applicable to new, continuing and renewal awards from external organizations to support UH programs and activities.

6. Policies

a. When expenditures are charged against an advance account and, for any reason, the award is not made or the expenditures are disallowed, the unit will assume liability for incurred costs.

b. With required approvals and documentation, advance-funding accounts can be approved for a period of 3 months.

c. To ensure that advance funding is provided according to sound management practices, and to safeguard UH against financial losses, advance funding requests may be approved when reasonable support is provided such as:

(1) UH, through ORS, has received written assurance from the extramural sponsoring agency that a program or activity has been approved for funding, with a preliminary:

(a) Start and end date,

(b) Funding amount and program budget, and

(c) Date by which UH will receive appropriate award document(s).

Such assurance can be in the form of a draft award document received from the sponsor with terms and conditions requiring review, negotiation and approval by ORS or an email from an authorized representative of the sponsor.

(2) ORS has received necessary supporting documentation and written approval for the advance funding account from the department chair and dean/director.

(a) The departmental approval will include the approved funding limit and line item budget for the advance-funding period.

d. Expenditures incurred during the advance-funding period must

be consistent with those to be approved by the sponsor under the award.

- e. All applicable procurement and human resources policies and procedures apply to expenditures incurred during the advance-funding period.

7. Guidelines

- a. Expenditures incurred during the advance-funding period should be limited to those that are essential to the start-up or continuation of an award to the extent that, by deferring such expenditures until the award is fully executed, the effectiveness of the program or activity would be significantly undermined or the cost to carry it out would be significantly increased.
- b. No activities that require protocol approvals (i.e., CHS, IACUC or EHSO) are allowed to take place until the proper approvals are received.
- c. Prior to engaging in research / non-research related activities or incurring expenditures (i.e. establishing an advance account) related to any grant, cooperative agreement or contract, the Principal Investigator and all Key Personnel on the project must:
 - (1) Disclose any Significant Financial Interests (SFI) related to their UH responsibilities in accordance with E.5.214, APM A5.504 and APM A8.956. Any SFI that was determined to be a Financial Conflict of Interest (FCOI) must be managed, reduced or eliminated.
 - (2) For projects funded by PHS, the Investigator and all Key personnel must complete the ORS FCOI training in accordance with APM A8.956.
- d. Departments may establish criteria and procedures for internal consideration and approval of advance accounts.
- e. The period for advance accounts is limited to three (3) months. In cases where there is a delay in receiving award documentation, an extension beyond the initial three (3) month period may be requested up to an additional three (3) months. Should there be special circumstances that require an extension beyond the six (6) month period, a request can be submitted. Extension of the advance account beyond the initial three (3) month period will require justification outlining the special circumstances.

8. Responsibilities

a. The PI is responsible for:

- (1) Carefully considering whether an advance funding account is essential to the start up or continuation of their award, with the understanding that all costs incurred prior to execution of the award documents that are not subsequently covered by the award must be covered by the PI's department/school;
- (2) Ensuring that no activities that require approval through CHS, IACUC or EHSO take place until the proper approvals are received;
- (3) Meeting the FCOI requirements if applicable, and, for PHS-funded projects, completing required training, as noted in 7.c. above, prior to requesting an advance account;
- (4) Submitting required documentation and reports necessary to expedite execution of the award;
- (5) Promptly communicating information relevant to the status of the pending award to ORS;
- (6) Seeking consultation with the FA and approval from the department Dean or Director to establish an advance funding account for their award;
- (7) Collaborating with the FA in preparing documentation necessary to establish an advance account;
- (8) Understanding award terms and conditions, including budget amounts and spending requirements applicable to the pending award;
- (9) Minimizing expenditures during the advance funding period to those that are essential to the program or activity;
- (10) Ensuring compliance with applicable regulations, policies, procedures and award terms and conditions; and
- (11) Taking other steps to minimize risk to the department and UH.

b. The FA is responsible for:

- (1) In collaboration with the PI, initiating advance

account requests and forwarding all required documentation to ORS Accounting;

- (2) Understanding and complying with award terms and conditions, including the award budget, as well as UH policies and procedures applicable to procurement, hiring, etc.;
- (3) Working with the PI to prepare and submit *Prior Approval Forms* through ORS Pre-Award;
- (4) Reviewing and approving all pre-award expenditures, ensuring that they are allowable, allocable and consistent with the projected award budget;
- (5) Ensuring that expenditures are within the authorized advance period;
- (6) Preparing the advance account for closeout or full execution timely, as necessary; and
- (7) Working with the PI in taking other steps to minimize risk to the department and UH.

c. ORS is responsible for:

- (1) Timely authorization of advance accounts after all required documentation and approvals are received;
- (2) On-going monitoring of advance funding accounts;
- (3) Closeout of advance funding accounts or full execution timely as necessary;
- (4) Ensuring compliance with applicable regulations, policies, procedures and award terms and conditions;
- (5) Monitoring compliance of the advance funding account with applicable regulations and policies; and
- (6) Taking other steps to minimize risk to the department and UH.

d. The Department Chair and Dean/Director are responsible for:

- (1) Approving advance account requests with the understanding that the department must cover all expenditures that are not subsequently covered by the award; and

- (2) Ensuring compliance with applicable regulations, policies, procedures and award terms and conditions.

9. Procedures

a. Approving, establishing and extending an Advance Account:

- (1) The PI will seek approval from the department dean / director for an Advance Account, following departmental procedures.
- (2) The FA will request an Advance Account by submitting the *Request for Advance Account Approval* form (Attachment A hereto) to ORS Accounting.
- (3) Due to delays in receiving award documentation from the sponsor, an additional three (3) month advance period may be requested. If an extension to an Advance Account is necessary, a second *Request for Advance Account Approval* form must be submitted to ORS.
 - (a) The form will clearly indicate that this is an extension to an existing advance account and a new justification specific to the extension, and new departmental signatures, are required.

b. Administering the Advance Account:

- (1) When an advance account has been established:
 - (a) The FA will approve all expenditures before they are booked to the Advance Account.
 - (b) When the award is received, ORS will submit a change for the status of the account from "Advance" to "Open."
 - (c) Once the account status has been changed to Open, all usual account administration policies and procedures apply.

c. Monitoring the Advance Account

- (1) The FA will monitor expenditures charged to the Advance Account.
- (2) The FA will work with the PI to initiate the appropriate action on the Advance Account

including, but not limited to:

- (a) Applying for an extension to the advance account;
or
- (b) Closing the advance account.

If an anticipated award is not received, ORS Accounting will transfer the Advance Account balance to the departmental account identified by the department on the *Request for Advance Account Approval* form. ORS Accounting will notify the FA of the transfer via email.

10. Obtaining approval for pre-award costs when the award is fully executed.

Upon receipt of a fully-executed award, if any expenditure for the award is for a period prior to the actual project start date, a request for pre-award expenditures must be authorized/approved.

When the sponsoring agency is a member of the Federal Demonstration Partnership (FDP), a request for pre-award costs for the first 90 days will be submitted on a completed Prior Approval Form (Attachment B hereto). When a Prior Approval Form is approved by ORS, it will be marked "approved" and returned to the FA.

When pre-award costs are greater than 90 days for an award under an FDP-sponsoring agency or when the sponsoring agency is not an FDP member, a written request for approval of pre-award costs must be submitted to the sponsor via ORS. For requests approved by the sponsor, ORS will provide a copy of the approved request to the FA.

11. Attachments

- A. Request for Advance Account Approval - ORS Form 1
- B. Prior Approval Form