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Policy or Procedure: Charging Costs to a Sponsored Project Prior to Award Acceptance				

Purpose

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

Reason for Policy

There are instances when a Principal Investigator (PI) may need to request that a grant account (44 fund) be set up to initiate or incur charges for a sponsored project before the formal award process is complete. Rather than charging these expenditures to a non-sponsored “local” account and having to process cost transfers after the award is officially executed, the grant account can be set up to enable the PI to begin work related to the sponsored project. Historically, this process has been understood as setting up a contingency account. A contingency account is not actually set up during this process. Rather, the process allows the PI to gain access to the actual grant account that is set up in the University’s financial system by Grants Fiscal Administration (GFA) in order to properly incur grant related charges. The contingency account is the “back up” account that must be pledged by the PI’s department that will be charged for any expenses not covered when the formal award notice is received, or if it is not received at all.

Intended Audience

- 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

Policy

Principal Investigators who wish to initiate or incur charges on a sponsored project before the formal award process is complete must receive approval from their department and the Office of Sponsored Projects before a grant account can be set up. This review and approval is necessary to mitigate the risks associated with incurring expenses before the award process is complete. However, it is ultimately the PI's department that assumes the risk because any costs incurred on the grant account that are not covered by the award will be charged to the department pledged contingency account.

Some primary risk factors include:

1. The PI may assume that the project start date will be the same as the date listed in the proposal or be a date that is identified during informal correspondence with the sponsor. However, the sponsor may not process the award in a timely fashion and the project start date may be later than the PI anticipated. If the sponsor is not willing to back date the project start date of the award to allow the costs incurred to be charged to the grant, the costs will be moved from the grant account and charged to the department pledged contingency account.
2. For contracts, many sponsors may consider the start date of the project to be the date of final signature; spending cannot begin until the contract is signed. Because contracts often require a negotiation of certain terms and conditions, processing times can vary so it is difficult to know what the date of final signature will be.

Note: The start date of the project for many State of Illinois contracts is date of last signature.

3. The sponsor may request that the PI reduce the proposal budget or remove certain categorical items during the award negotiation process. The PI should be certain of the final budget that will be approved by the sponsor before incurring costs on a grant account. Any costs that are greater than the award amount or deemed unallowable by the sponsor will be moved from the grant account and charged to the department pledged contingency account.

The PI must request approval by OSP for one of the following in order to initiate and incur costs on a grant account outside of the project start and end dates.

Advance Account

An advance account is often set up in order for the PI to obtain the grant account number before the formal award is fully executed. Usually, the advance account is requested in order to initiate HR paperwork for grant related personnel and for procurement purposes.

An advance account may only cover costs incurred **within** the project period identified in the sponsor's award.

Pre-Award Spending

Certain federal sponsors give "expanded authorities" to grantees. One of these expanded authorities is the ability to incur pre-award costs. While pre-award spending is similar to setting up an advance account, there is one distinct difference. With pre-award spending, work may begin and project related expenses can be incurred and charged to the grant account up to 90 calendar days **prior** to the project start date indicated in the sponsor's award.

Both the National Science Foundation (NSF) and National Institutes of Health (NIH) allow for pre-award spending. Federal contracts do not typically allow pre-award spending.

Break between Budget Periods

(costs incurred to a grant account on an incrementally funded award or when a no cost extension request is in process)

On an incremental award, the sponsor agrees to fund a specific number of years at a pre-determined amount per year as long as the project is progressing and the sponsor has funding available. A request can be made to keep the grant account active or continue paying personnel to ensure continuity of a project while waiting for the sponsor's next funding increment to be received.

This type of approval may also be sought when a no cost extension request is in process with the sponsor.

Reminder: The decision to pledge a contingency account must be made prudently and should be considered only when there is sufficient documentation that an award is imminent and the terms and conditions of the award are known.

All costs incurred must be:

- allowable and in accordance with applicable regulations;
- included in the proposal budget;
- necessary to conduct the project.

Procedure

The PI must complete a Contingency Fund Availability Form (CFAF) and submit it to OSP before a grant account can be established. The CFAF requires that a contingency or "back up" account be pledged by the PI's college or department. The contingency account can be an 02 or 41 account, but cannot be another grant (44 fund) account.

Reminder: This is the contingency account that will be charged for costs incurred that cannot be covered by the grant.

The CFAF can be found on the OSP website under the Forms page.

Submit the CFAF to the Office of Sponsored Projects (OSP). This form may be submitted via the following:

1. **Hard copy:** Lowden Hall 305, Attention: Office Support Specialist
2. **Fax:** 815-753-1631, Attention: Office Support Specialist
3. **E-mail:** asosp@niu.edu

OSP staff will make every effort to review the request within 48 hours or two business days. However, review of the request in no way guarantees that it will be approved within this 48 hour timeframe.

Upon OSP approval, the CFAF is forwarded via email to Grants Fiscal Administration for account set up. *The PI, Dept Chair/Unit Head, and individual signing for the contingent fund will be copied on this notice.*

Note: Changes to the advance account or pre-award & break in budget period spending request must be submitted through OSP and may require a new Contingency Fund Availability Form. Such changes include (but are not limited to) extending the fund availability dates and increasing the amount.

Contact Information:

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Policy Questions	Dara Little	815-753-9285	dlittle@niu.edu
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Policy Citations:

NSF Grants Policy Manual, NSF 05-131 July 2005
Chapter VI – Allowability of Costs, Section 602.2

NIH Grants Policy Statement, 12/03
Part II: Terms and Conditions of NIH Grant Awards
Subpart 1: General

2 CFR, Part 215.25 Revision of Budget and Program Plans.
Uniform Administrative Requirements for Grants and Institutions of Higher Education, Hospitals and Other Non-Profit Organizations