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A Note Concerning Advance Accounts

Charges incurred prior to the start date of a grant or contract are usually unallowable charges because they are made before the effective date agreed upon in the final award document. Occasionally, due to circumstances beyond the control of the principal investigator (PI) and the Office of Research and Sponsored Programs (ORSP), the terms and conditions of the award are still being negotiated when the anticipated start date of the project arrives. This note is provided to clarify the UMass Boston procedures by which ORSP, given reasonable assurance that the award is forthcoming, will establish a sponsored program account to provide the PI with an opportunity to initiate project activities and begin incurring associated expenses.

An **advance account** is a fund on the university's PeopleSoft financial system created by ORSP at the request of a PI in advance of:

- Receipt of the notice of grant award or subaward; or
- Completion of negotiations and receipt of a fully executed contract or subcontract;

PROVIDED, that

- The PI presents assurance that the sponsor intends to issue the grant award or negotiate terms and conditions in good faith, that any advance project charges will be allowable and recoverable from the sponsor, and that the award effective date has been established by the sponsor;
- The PI agrees to follow all of the sponsor's expenditure guidelines so that costs incurred in advance of the final award will be allowable by the sponsor; and
- The dean or unit head assumes the financial risk for expenditures made by the PI if for any reason the expected award is not established.

Advance accounts help with the startup of a sponsored program. For example, the PI can make employment offers and complete payroll authorizations, purchase supplies for a lab, or purchase equipment to take advantage of a discounted price. In addition, because the advance account number that is assigned will stay with the project throughout its life, advance accounts reduce complexities of project management, allowing PIs and departments to record and track expenditures in a single account, eliminating the need to charge other unrelated accounts and process after-the-fact cost transfers.

There is risk to the university involved with advance accounts. Incurring project expenditures before the university has concluded award negotiations with a sponsor weakens the university's negotiating position. Moreover, certain expenditures in advance of the award may be disallowed by the sponsor based upon the final terms and conditions of the award. And the

award may not be received or accepted by the university. For these reasons, an advance account will be established only if the following five conditions are met:

1. A complete copy of the proposal for the project and the sponsor's RFA or RFP is on file in ORSP;
2. The PI provides written assurance (e.g., a letter or e-mail from the sponsor or program officer) that an award is imminent, that advance spending is permitted, and that the award start date is approved;
3. The PI has obtained all applicable compliance approvals from relevant university officials (e.g., conflict of interest disclosure, hazardous materials, use of human or animal subjects);
4. The department chairperson approves the request; and
5. The dean or unit head identifies an unrestricted account to which all advance costs, both direct and F&A, will be charged if for any reason the anticipated award is not received, if the university does not accept the award, or if the sponsor refuses to pay the advance costs.

The PI requests an advance account by completing and submitting the *Request for Advance Account* form available on the ORSP Web page. Once completed and approved, the form containing original signatures of the PI, department chairperson, and dean or unit head should be forwarded to ORSP together with the written correspondence from the sponsor that provides the necessary assurances. Because of the additional risk involved with incurring expenses prior to the receipt of the grant or contract documents, all advance account requests must also be approved by the vice provost for research.

A PeopleSoft fund will be set up for a 90-day period only and the PI notified of the advance account number. The start date on the sponsored program award will be set to coincide with the effective date of the advance account. The budget will be set equal to the amount requested by the PI on the request form or 25% of the total expected first year award amount, whichever is less, with line items prorated accordingly. Spending will be limited to those costs that are essential to initiate the project and that meet the same criteria as costs incurred after the award arrives. It is important to note that costs can only be incurred on the advance account as of the sponsor approved start date of the award¹.

The status of advance accounts will be monitored monthly by ORSP. If the award documents are not received during the 90-day period, ORSP will communicate with the sponsor to determine whether the award is likely to be made. If assurance of a final award is not provided in writing by the sponsor, then ORSP will stop all costs from being posted to the advance account and require the PI to transfer existing costs to the guarantee account listed on the request form.

¹ Many federal agencies will allow charges up to 90 days prior to the official and agreed upon start date of the award under expanded authorities granted to the university. The professional staff in ORSP will assist the PI to determine if the particular federal agency is covered by expanded authorities.

Any questions regarding the establishment of an advance account for a sponsored program should be directed to the professional staff of ORSP.

Richard F. Antonak
Vice Provost for Research
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