Purpose:

This policy outlines the circumstances in which spending may be allowed on an award that has not yet been granted to Meharry Medical College (pre-award spending), or for a continuing segment of a multi-year award in which the new budget has been delayed (non-competing continuation awards). Advance funds will allow for proper assignment of costs at the beginning of the project, which will prevent improper allocation of expenses to an incorrect FOAPAL, and in turn limit the number of required cost transfers.

Policy Statement:

According to OMB Circular A-110, grantees can approve costs incurred 90 calendar days prior to the award start date or more than 90 days with the prior approval of the Federal awarding agency; however, the grantee engages in pre-award or advance spending at its own risk. Meharry Medical College will permit pre-award spending (for new awards and competing continuations) or advance spending (for non-competing continuing awards) provided such spending is consistent with the guidelines of the sponsoring agency, the terms and conditions of the award (where applicable), and has been approved in advance by the Dean and Office of Research.

- All pre-award spending (or advance) funds must be guaranteed by a fund designated by the Dean and approved by the Office of Research in order to be set-up in the accounting system by the Grants & Contracts Office.

- If the expected award segment is not received in full, or if the sponsor does not approve the incurred pre-award/advance expenditures, the Dean who approved the fund number is responsible for any unreimbursed expenses.

- The Dean and Office of Research are authorized to approve pre-award (advance) fund spending up to 10% of the expected amount to be awarded.
for the period, but not to exceed $25,000 per award. Any request for an advance fund exceeding 10% of the amount expected for the next period, or greater than $25,000 per award, will require the additional approval of the Senior Vice President for Finance and CFO.

- Pre-Award and advance funds are valid for 90 days. After 90 days the Principal Investigator should submit a new Request for Advance Funding Form to the Dean for approval to keep the early fund open for a longer period of time. At this point, the Dean will re-certify that he/she will be responsible for all expenditures incurred to the fund if the award is not received.

**DEFINITIONS:**

**Pre-Award Fund Spending:** Spending that occurs on an award prior to receiving the official award notice from the sponsor. Meharry assumes responsibility for costs not funded by the sponsor, regardless of whether pre-award spending is authorized by the sponsor.

**Advance Fund Spending:** Spending that occurs on an existing award prior to the official notification that funding for the second or subsequent time period is approved and obligated by the sponsor. Meharry assumes responsibility for costs not funded by the sponsor, regardless of whether advance spending is authorized by the sponsor.

**Competing Continuation:** An ongoing, funded award for which the institution is competing with other institutions for a new period of award funding. For purposes of this policy, competing continuation awards will be treated as new awards.

**Non-Competing Continuation:** The second or subsequent funding period under a multi-period award for which the recipient is not competing with other institutions.

**FOAPAL:** Unique number assigned to a fund in Meharry's Banner accounting system.
PROCEDURE:

Depending on the nature of the award, different processes will be followed to establish an advance fund in the accounting system.

**New Awards and Competing Continuation Awards:**
An inherent degree of funding risks exists with New Awards and Competing Continuation Awards. Although these awards may be preceded by informal notifications indicating a high probability of funding, awards are never guaranteed until received. In situations where Meharry believes the probability of funding is high for a new award or a competing continuation award, pre-award spending may be prudent and appropriate, but must be approved by the Office of Research and Dean.

In cases where a Principal Investigator believes that an advance fund is appropriate, the following steps must take place prior to the set up of a new FOAPAL.

*The PI must be able to respond “Yes” to all three questions below.*

1. Does documentation exist that the PI is likely to receive funding? For example, Just In Time information was submitted, an email from the Program Officer states that Meharry will be funded, a high score was received, or other relevant data exists.
2. Does the sponsor allow pre-award spending?
3. Have all regulatory protocols been approved? Meharry Medical College does not permit the creation of advance funds until all regulatory protocols have been submitted, reviewed, and approved by the regulatory offices.
   a. Have all individuals responsible for the conduct, design, or reporting of the proposed research have a current and up-to-date conflict of interest (COI) disclosure on file?
   b. Have all animal protocols been approved and determined to be congruent to the proposal by the IACUC?
   c. Have all human subject protocols been approved and determined to be congruent to the proposal by the IRB?
   d. Have all other regulatory compliance requests (biohazards, radiation safety, hazardous material, etc) been approved?
If the PI can affirm a response of “Yes” to each of the above questions, and he/she believes that funding from the sponsor is forthcoming, the PI will complete a Request for Advance Funding Form. The PI will submit the completed form to the Office of Research for approval of the advance account based on the review of sponsor guidelines and terms & conditions of the award. Once the Office of Research has approved the advance fund, the Request for Advance Funding Form will be routed to the Dean to assess the risk of the advance fund. Based on the perceived level of risk, the Dean will decide whether to grant approval for funding. The Dean must provide a contingent FOAPAL in the case that the new award is never received by Meharry to cover the expenditures at risk.

If both the Dean and Office of Research approve the advance fund, the PI will submit the completed Request for Advance Funding Form and Restricted Funds Line Item Budget worksheet to the Grants & Contracts Office to create a new FOAPAL for the fund. Assuming that the Request for Advance Funding Form and Restricted Funds Line Item Budget are completed appropriately, the Grants & Contracts Office will set-up the new FOAPAL within 24 hours of receiving the information. In the event that the forms are not completed appropriately or another issue arises, the Grants & Contracts Office will contact the PI immediately, in order to gather the necessary information and expedite the FOAPAL set-up.

The Dean’s signature of approval represents that he/she is responsible for the risk of the advance fund to Meharry. In the event that the funding is never awarded to the institution, the Dean is responsible for providing contingent funds to support the expenditures incurred on the advance fund. Upon receipt of the official award, the unrestricted FOAPAL provided by the Dean will be replenished with the expenses charged to the advance fund account prior to the official notification.

**Non Competing Continuation:**
Advance funds generally are not necessary in non-competing continuations because funding usually will continue without interruption. The Grants & Contracts Office will create a FOAPAL for the next period of funding prior to Meharry Medical College receiving the official documentation or Notice of Award from the sponsor. In the event that the Principal Investigator is awaiting the funds for a subsequent period of a multi-period award, the PI and their departmental support should submit a Restricted Funds Line Item Budget worksheet based on
proposed budgets, with the appropriate signatures to the Grants & Contracts Office. The Principal Investigator can assign personnel and non-salary expenditures to the new FOAPAL in order to prohibit cost transfers due to late award set-up.

Limitations of Advance Funds
The reason for delay in an award is normally an important consideration in determining the appropriateness of advance spending. Although some sponsors allow pre-award costs before the beginning date of a non-competitive continuation award, if pre-award spending is expected to be substantial or if there is any reason to believe that the subsequent year’s funds are at risk, an advance fund account may not be prudent.

Meharry has implemented several controls on advance funds to limit the institution’s risk exposure. All advance accounts are:
- Initially restricted to 10% of the expected amount to be awarded in the upcoming period, or a maximum of $25,000 per award. Any extensions of an advance fund beyond these limits require the additional approval of the Senior Vice President for Finance and CFO.
- Active for up to 90 days in lieu of receiving award funding. Advance funds exceeding 90 days will require additional approval from the Dean.

The Grants & Contracts Office will monitor advance accounts on an ongoing basis to enforce compliance to these limitations.

Restrictions
Advance funds are established to provide a compliant method for allocating project costs before awarded funds are officially received. Alternative approaches are discouraged:
- Charging other sponsored funds for new project efforts is expressly prohibited.
- Charging internal funds for new project efforts is technically allowable, although Meharry may limit the extent to which costs can be transferred at the start of the project. Meharry prohibits cost transfers in excess of 90 days. See Meharry’s Cost Transfer policy for further reference.