**Guidance on Preaward Spending Accounts**

**Definition:** A preaward sponsored project account is established so that project-related expenses can be charged before the award from the sponsor is fully accepted or executed.

**When are preaward accounts used?** If the Principal Investigator/Project Director (PI/PD) has evidence that an award is forthcoming, or if the award has been received by USM and requires ongoing negotiation, a preaward spending account may be established so that work on the project can begin, equipment can be ordered, or positions posted in Cornerstone. Or, if the project is federally funded through a grant or cooperative agreement, expenses might be allowable up to 90 days before the award's start date.

Establishment of a preaward spending account allows expenditures to be charged to the project, avoiding cost transfers later. However, they are not without risk. **If, for some reason, the award is not finalized, the unit/school/college will be responsible for covering expenses incurred** on a preaward spending account.

**Procedures:**

* The PI/PD should email the request for establishment of a preaward spending account to their ORA-PAM grant administrator/coordinator.
	+ Include a budget string for use in the event the award is not finalized and expenses need to be moved from the preaward spending account.
	+ Include reason/justification for making the request.
* ORA will review the award documentation and ensure that all internal approvals are current (e.g., InfoEd routing, research risk approvals).
* The Associate Vice President for Research, the Proposal and Award Management (PAM) Director, or the PAM Assistant Director will review the request. If approved, project details sufficient to establish an account will be transferred to ORA’s Financial Reporting and Audit team for account establishment, who will then communicate account information to the PI/PD.
* ORA-PAM will review all accounts in preaward spending status approximately monthly to ensure that progress toward funding is continuing.
* Once the award is finalized, ORA will remove the account from preaward spending status.
* All sponsor regulations apply to preaward expenses.

**Note:** Awards that start only after both parties sign the funding agreement (those with a project/award start date of last signature) will not receive consideration/approval for a preaward spending account.