1. **PURPOSE**

The use of the Pre-Award account is a facility available to departments to collect expenditure incurred prior to the full set up of an award. This policy is required to improve the management of the financial risk to the University, and in particular increase the visibility and controls relating to this expenditure. It provides conditions upon which this expenditure is allowable and should be charged to a department's pre-award account. The policy further provides a set up and reporting solution that will increase efficiency in the management of Pre-Award costs.

2. **BACKGROUND**

Departments have a Pre-Award account in the Projects module, xxNXxx00. This account allows departments to incur expenditure where a research award has been received but not yet set up.

The Pre-Award account fulfils a valuable function in allowing research to commence while paperwork is processed. However, expenditure incurred on Pre-Award accounts needs close management in order to reduce the inherent control risks and additional manual intervention that exist within the process. In particular:

- Departments may incur expenditure before an award or contract is adequately committed by a funder.
- Once a Pre–Award account is set up, the momentum and urgency to finalise award paperwork is often lost. It is not possible to invoice a funder until this is done.
- Once an award has been set up, clearing up of the Pre-Award account is not always completed in a timely manner.
- Clearing down pre-award accounts is burdensome for departments where awards are not correctly identified.
- Additional effort is required to process income accruals for balances held on Pre-Award accounts at quarter end.
- Lack of visibility of award details on the Pre-Award account leads to an extensive manual exercise at financial year end, in order to recognise revenue and to provide adequate trail for the auditors.
3. **PROCEDURE**

3.1 **Allowable Expenditure and Purpose of the Pre-Award account**

The Pre-Award account should be used and expenditure incurred only when:

- There is written evidence from a funder that shows a firm or absolute commitment to support the award.
- Expenditure does not relate to an award from for-profit entities or for clinical trials, as this may compromise our legal position in respect of IP, indemnities etc.
- There are no significant outstanding areas of negotiation which would be of likely concern to the PI, department or University. Matters including, but not limited to: control of scope of work and key personnel; publication restrictions and confidentiality requirements; lack of criteria for acceptable performance; intellectual property terms; termination and default clauses; indemnification.
- There is an essential need to advance or commit funds prior to the set up of an award.
- Expenditure is not incurred more than six months prior to the anticipated formal award start date, and certainly no earlier than is allowed within the guidelines from the funder.
- Expenditure is fully recoverable from the funder. Assessment of recoverability will include both compliance with funder guidelines on pre-award expenditure and whether the expenditure is reimbursable.
- The PI has received relevant ethics and any other approvals.
- The department continues to work with Research Services to ensure all award paperwork is completed in a timely manner and an RPF1 issued to set up the award.
- The department commits to transferring Pre-Award expenditure to the correct award, as soon the award has been set up, and prior to the end date on the Pre-Award account as agreed with the Accounting Manager (see 3.2. Task Management).
- The department accepts that all expenditure incurred is at the department's risk.

Where a department wishes to incur expenditure on the Pre-Award account that is not in line with the above guidelines, they will need to contact the Accounting Manager. Any exceptions made as a result of this discussion will require approval from Head of Department and Head of Research Accounts. Contact details for the Research Accounts team are on the [Finance Division website](#).

3.2 **Task Management**

Subtasks need to be used by departments to identify all expenditure on the Pre-Award account. Departments will need to set up a new subtask specific to each Award that is being charged there and each sub-task should be named using the six-digit Research Services reference number relating to the Award. This reference number can be found in the header of any formal email from Research Services and will be in the format Rnnnnn. The Accounting team within Research Accounts will be responsible for the creation and naming of these tasks. The ability to reuse sub-tasks will not be available under R12.
The use of sub-tasks will allow departments to quickly identify all costs incurred on the Pre-Award account that relate to an Award. This visibility will allow for better financial management and easier identification of costs for subsequent transfer onto the Projects ledger. In addition, the use of sub-tasks will allow for a more streamlined and efficient process for quarter- and year-end accrual and revenue recognition purposes. It is also expected that the availability of this information will give further visibility centrally on the instances that result in Pre-Award expenditure. Where appropriate, this information can be used to improve and streamline Award set up processes.

The ‘Research Sub-Task Request Form’ should be completed for the creation of all new sub-tasks. Completed forms should be sent to the Accounting team for set up in Oracle. Each sub-task must be given a start and end date with the end date no more than 3 months from the current date. Any sub-task requiring more than 3 months will need to be justified and subsequently approved by the Accounting Manager. No budget or resource details need to be completed on this form.

Any extensions to the end dates of the sub-task should also be completed on the sub-task request form fully justified and will need to be approved by the Accounting Manager.

The tax recovery type will need to be completed to allow the e-Tax engine in R12 to calculate the correct input VAT.

Transitional arrangements will apply on Pre-Award accounts transferred onto R12. Departments not managing awards in line with this policy will be required to clear Pre-Award balances within six months of go live and to ensure all new requirements are identified on a ‘one sub-task on award’.

3.3 Pre-Award Budgets
Each Pre-Award account will have a budget of £50,000. This is to ensure that large balances are not being run up on the Pre-Award account and are dealt with promptly. If an increase is required a department should contact the Accounting team and provide details of:

- Why an increase is required / reason for the delay in Award setup
- How much is required
- How long it will be required for
- The Award that it relates to
- The expenditure meets the requirements of this procedure as allowable expenditure

Once the Award has been setup costs will need to be transferred out of the Pre-Award account within four weeks and certainly by the end date on the sub-task.

3.4 Research Accounts review
Research Accounts will review the Pre-Award accounts on a monthly basis and issue to departments reports of the expenditure against each sub-task.

On a quarterly basis Research Accounts will submit the list of active Pre-Award sub-tasks to Research Services, to confirm the current status of the Award and to ascertain the action required to allow award to be set up.
At year end, Research Accounts will issue the list of sub-tasks with expenditure balances to departments, for review and approval. Where subtasks have been used to identify all expenditure on Pre-Award account, in line with this policy, then Research Accounts will populate this information in form YE11 and issue to departments.

4. REFERENCES
Research Pre-Award Sub-Task Request form:
www.admin.ox.ac.uk/finance/processes/forms/researchaccounts/

YE11 Form:
www.admin.ox.ac.uk/finance/processes/forms/yearend/
(Available to download during Year End process from May-September each year)