HARVARD
UNIVERSITY

At-Risk Account Guidance

Originally Issued: February 26, 2004

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Responsible Office: Office for Sponsored Programs

Background

At-Risk Accounts, previously known as "Advance Accounts", provide Principal Investigators (PIs) and departments/local level managing units with an opportunity to initiate sponsored projects and begin incurring associated expenses prior to institutional acceptance of an award by the appropriate Submitting Office.

At-Risk Accounts may be requested for a variety of reasons: notification of a sponsor's intent to fund a proposal has been received but the initiation of the actual sponsor award may be delayed, a prolonged negotiation period is anticipated, an immediate need to hire personnel or purchase critical equipment required to ensure the project is ready to begin on schedule is needed, or a continuation of an existing award requires the next year's account to be established in Year-Logic.

When all parties are cognizant of potential risks to setting up an At-Risk Account, these accounts provide a beneficial option to record and track allowable expenditures. This guidance outlines roles and responsibilities, procedures, and potential risks for establishing At-Risk Accounts.

Applicability

This guidance is applicable to all Principal Investigators (PIs) and administrators at Harvard University within all schools, units, divisions, University-wide initiatives, labs and centers who are involved with the administration and conduct of sponsored awards.

Roles and Responsibilities

At-Risk Account responsibilities are shared among the following:

PI & Department/Local Level Managing Unit

- Initiates a GMAS request to include justification, timeframe, and dollar amount
- Works with Office for Sponsored Programs (OSP) or Office of Research Administration (ORA) to clear any necessary GMAS approvals (COI, IRB/IACUC, etc.)
- Monitors expenditures for allowability and applicability
- Assumes liability for expenditures on At-Risk Account if the award is not issued or if the University cannot accept the award terms

Submitting Offices (OSP & ORA)

- Reviews available materials to identify potential areas of concern including financial and non-financial risks
- Monitors aging At-Risk Accounts
- Issues At-Risk Account in compliance with relevant University policies

Considerations

Possible Negotiation Issues and Other Risks

By accepting an At-Risk Account on behalf of a PI, each department/local level managing unit ("org") receiving an account string assumes management of the financial risk for their respective charges in the event the award is not issued, not accepted, or award terms deem certain expenditures to be unallowable. It is important to understand that GMAS authorizations to create an At-Risk Account results in a burden of liability for the owning org.

In the majority of cases, the relevant Submitting Office will create an At-Risk Account upon request, and the issues to be reviewed prior to executing the sponsored agreement are routine. There are some cases where more significant negotiation may be required. The Submitting Office will identify areas of concern and the associated financial and non-financial risks to ensure the PI & Department/Local Level Managing Unit are aware of the risks they are accepting before they establish an At-Risk Account.

Examples of negotiation issues may include the following: 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; use of name; and indemnification. Additionally, when project period of performance dates do not line up with incurred spending, further authorizations may be necessary to allow expenditures incurred outside the approved period of performance. If pre-award spending or a revised start date cannot be agreed upon with the sponsor, those charges occurring outside the authorized spending period must be removed.

Considerations

To demonstrate prior shared understanding with the PI and planned coverage resource, it is expected that the department/local level managing unit, in collaboration with the PI, define the non-sponsored funding source that will cover anticipated “at-risk” expenses prior to the submission of the At-Risk Account request through GMAS. The resource may be noted in the GMAS request comment section to add to the formal historical record, or it may be noted on the department or center internal file for the PI. An alternate resource can be identified at a later date if financial coverage is required.

Time Period

It is advised that an At-Risk Account may be established for a limited time period as agreed upon by PI and department/local level managing unit (e.g., 120 days) from the start date of the expected account budget period. This is primarily to avoid high expenditure volume and an opportunity to re-assess the viability of the incoming award. The owning org will be required to transfer unallowable expenses or expenses incurred outside of the awarded period of performance once the At-Risk status is removed.

Pre-Award Spending and At-Risk Accounts

Approval for costs to be incurred prior to the start date of the award, authorization of pre-award spending, should not be confused with authorization of an At-Risk Account. Before incurring pre-award expenses, the award terms should be reviewed for allowability. Consult your Submitting Office to confirm whether pre-award expenses are allowable.

At-Risk Account Monitoring

Submitting Offices will communicate with the school/tub and/or department/local level managing unit as appropriate regarding the status of At-Risk Accounts and any necessary action that may need to be taken. Accounts beyond their effective dates will be identified by the appropriate Submitting Office for discussion with school/tub and/or department/local level managing unit to identify reasons for the delay and possible solutions. The “At-Risk Report” may be used to provide information during communication.

Throughout the at-risk period, it is the responsibility of the PI and department/local level managing unit and Submitting Office to share developments regarding award notification, acceptance, and negotiation.

At-Risk Status Removal

Upon acceptance of the award by the University, the Submitting Office will remove the account from at-risk status. If pre-award expenses were incurred, the department/local level managing unit should work with their Submitting Office to address necessary approvals. Each owning org of the main and part-of account is responsible for removing expenditures from the At-Risk Account if the award is not made, not accepted, or if the terms of the award deem expenditures to be unallowable. In consultation with OSP Research Finance, expenditures will be transferred to a designated account. If the award is not funded, capital equipment purchases will need to be moved to a different account string using the AP Adjustment process that is required for all corrections of capital equipment purchases.

Definitions

At-Risk Account:

A fully activated account string that is directly tied to a sponsored project prior to award acceptance by the President and Fellows of Harvard College. All expenses must be appropriate for the sponsored project under the at-risk account. If the formally recognized award start date is after the incurred date of any expense, the administrator needs to examine whether pre-award costs are allowed. If so, the administrator may request pre-award spending as a separate request through GMAS. At-Risk Accounts are subject to all the same costing, project specific institutional approvals and compliance policies governing an active account string.

Pre-award Spending:

The potential time period that occurs prior to the formally recognized award start date in which costs incurred prior to the project period start date may be allowable. The terms of the award should be consulted to see if pre-award spending is allowed and any restrictions (time frame, etc.) that may be in effect.

Owning Org:

Each account string contains a segment to designate an org. This is used to identify the specific financial group within a department, center or school. In this guidance, an At-Risk Account requires specific identification of 1) the planned financial group who will oversee the expenses for the award, or portion of the award, in the case of a part-of account and 2) the liability for all expenses placed on that specific account string with their org if the award is not accepted. Owning org is the specific identification who will oversee and assume liability for all expenses placed on that account string.

Negotiation:

As the authorized signatory for the institution, a negotiator may need to revise terms to be acceptable to the institution, as well as protect the PI. When successful, a negotiation allows all parties to retain what each needs in order to reach an executed agreement. However, if one party does not remove or revise language that another party cannot accept, a negotiation may stall or ultimately become unsuccessful. Negotiators work at the central level in each university area to provide this service.

Submitting Office:

Office for Sponsored Programs (OSP) for University Area or Office of Research Administration (ORA) for T.H. Chan School of Public Health and Harvard Medical School.

Year-Logic Account:

In the Harvard Chart of Accounts, an account set-up logic used when a sponsor does not allow automatic carryforward/over of funds from one budgeted period to the next. With this logic, new account groups (which require new main accounts, part-of accounts, and subagreement accounts) are created each year. Subactivities are reported in aggregate by account group. (Chart of Accounts definition)

At-Risk Account Guidance Revision History

February 26, 2004

- New

September 10, 2019

- Updated guidance per current practices and policies