

## **UNLV Office of Sponsored Programs Procedures for Risk Accounts**

### **1. General Information**

The Principal Investigator (PI) may request authorization from the Office of Sponsored Programs (OSP) to spend or commit a limited amount of funds during a defined period: 1) prior to the receipt of a fully executed award; 2) prior to the receipt of incremental funds; 3) prior to the receipt of a no-cost extension; or 4) to mitigate the risk of a fixed-price agreement. Such spending authority is implemented through a “risk account”, and is typically restricted to 90 days worth of funds. The need to establish a risk account may arise due to the following circumstances:

#### **a. Need for Pre-award Spending**

Pre-award spending occurs prior to the stated period of performance of the project. Some federal grants and cooperative agreements (CA) permit spending 90 days prior to the start of the performance period. Researchers who have an immediate need for funds in advance of the award start date may request a risk account for pre-award spending if the grant/CA is confirmed to allow pre-award costs and there is documentation that the award is forthcoming. It is important to clarify that most contracts do not allow spending outside the period of performance so pre-award spending would not typically be appropriate.

#### **b. Initial award or incremental funding anticipated, but not yet received**

If an award has not been received, but we have confirmation it is forthcoming and the anticipated start date is known, a risk account can provide access to funds to start the project before the actual award is received. In addition, many awards are funded on an incremental basis, meaning that authorization to spend funds for the entire performance period is not provided at the beginning of the project, and subsequent modifications are issued to obligate the future periods. Researchers may request a risk account if they require immediate access to additional funding when a modification obligating funds for the next increment has not been received.

#### **c. No-Cost Extension anticipated, but not yet received**

An authorization to extend the period of performance may be requested if additional time is necessary to complete the agreed upon project objectives. Such extensions typically require approval and/or notification of the sponsor. If funds remain and the extension is granted, but the modification has not been received, a risk account request can be completed to provide continued access to the project funds. Merely having funds remaining at the end of an award is insufficient justification for an award extension.

## **D. Mitigate risk on a fixed-price agreement**

Fixed price agreements carry a certain amount of inherent risk since UNLV must perform the contracted work regardless of the actual costs. Additional risk can be associated with a poor performance history, contracting with small/startup companies or companies with known financial problems, prior payment problems, international organizations, no prior history with a company, and many other factors. If a contract has significant risk for the university a risk account may be required to guarantee the funds and/or restrict access to funds as they are paid by the sponsor.

### **2. Requesting a Risk Account**

When the PI and Administrator determine that a risk account is needed, the PI must complete the Request for Risk Account form. The form must be signed by the PI, Chair/Director and Dean/VP. The following additional information must also be included with the request:

- A budget outlining the use of the funds including any associated indirect costs.
- Documentation from the sponsor that the project has been awarded/extended and the modification is forthcoming
  - The sponsor's documentation must be obtained from someone who is authorized to make such a commitment. Not all program officials are authorized to do so.

### **3. Approval Procedure**

Upon receipt of the completed Request for Risk Account form, budget, and documentation, OSP can establish a risk account or authorize additional funds as specified in the approved request. A copy of the signed form and the original request will be filed by OSP in the appropriate award folder. When the anticipated award, modification, or extension is received from the sponsor, OSP will update the account information to reflect the approved budget and period of performance.

### **4. Recovery of Costs When a Sponsor Does Not Provide Funding**

In the unlikely event the award, modification, or extension is not issued the PI, Chair/Director, and Dean understand that all expenditures will be covered by the university account provided to guarantee the risk account. OSP will notify the Dean/Chair/Director prior to any such transfer.