



Brown University Policy on Working Capital Advance Payments for Outgoing Subawards

This policy applies when using NON-BROWN, third party SPONSOR funding to make an advance payment to a subawardee. *If using Brown Funds, skip to number III.*

There may be situations when the University needs to advance funds to enable a subawardee to begin working on a project. NOTE: making an advance payment to a subawardee with Sponsor funds may require additional administrative burden to track and report on this use of funds.

Advance payments to lower-tier recipients (Subawardees) are allowed when those recipients lack sufficient working capital to perform the work; 2CFR200.305(b)(4). Additionally, the Uniform Guidance requires monitoring of recipients of subawards; 2 CFR 200.331(b). In consideration of the federal regulations as well as University procedures that must be followed in order to initiate advance payments, the following guidelines apply when the University chooses to advance working capital payments to a Subawardee. These guidelines will be used as a starting point for non-federally sponsored subaward advance payments as well.

I. Department Procedures to Request an Advance of Funds to a Subawardee:

To request an advance payment for a Subawardee, the Initiator will state the request in the Comments section of the Subaward Order Form (SOF). Along with the SOF, the PI/Department must submit:

1. The Subawardee Request for Advance of Funds (see Sample Letter Template), which is a letter from the Subawardee stating the need for Advance Payments, dollar amount, and is signed by the Subawardee.
2. The completed Principal Investigator Subawardee Monitoring Assurance Form, which states the roles and responsibilities of the Brown PI regarding Advance Payments, and is signed by the PI and appropriate department; center; school officer. This document certifies that the PI has read and understands all Brown University Subawardee monitoring requirements
3. The Subawardee Advance Payment Request Breakdown

- a. Establish the amount of funding needed to cover a typical billing cycle.
e.g., Average monthly expenses plus startup costs (equipment/supplies) plus the time needed to process the remittance (total may be up to 10 weeks).
Not to exceed 50% of the current year budget of the subawardee.
- b. Request any exceptions to the standard policy in the comments sections on the form.

II. Office of Sponsored Projects:

The Office of Sponsored Projects (OSP) shall review all material listed above and make a determination if there is sufficient justification to approve an advance fund request. OSP may decline the request or ask for additional information/justification.

All subawards that have been approved for advance payment require a formal Subawardee Monitoring Assurance Form (see item 1 above) signed by the PI and authorized department/center/school official that will be placed in the OSP project file. Please note the Subawardee Request for Advance of Funds document (see item 2 above) will be valid for 5 years from the date of the letter.

The allowed schedule and amounts of advance payments are as follows:

- An initial advance payment based on the information provided in item I. above to cover startup costs (equipment, supplies, etc.) and average monthly expenses needed during a typical billing cycle.
- Regular Cost Reimbursement payments from that point forward.
- Subcontractor must invoice Brown for the first month to maintain a positive cash balance.

The advance payment amount and the financial reporting requirements will also be written into the formal subaward agreement by OSP. The subaward document will be included as an attachment in the Purchase Order created in Workday.

Where federal grant funds will be used for the advance payment, the recipient will be required to keep the advance payment in an interest bearing account and report the interest back to Brown as required by the Uniform Guidance 200 CFR 305; unless the exceptions outlined in 200 CFR 305(8) apply. If the subrecipient is exempt from using an interest bearing account but elects to do so or is required to do so by their own policies or laws, then the interest earned will have to be reported to Brown on an annual basis in their final invoice for the year and the final invoice for the project.

III. Department/PI Procedures for Advance Payment Invoicing

Once the final, signed subaward agreement is received by the University and a PO# has been assigned by the Purchasing Department, advance payments will be allowed to proceed.

To initiate an advance payment the Department/PI must contact Purchasing and attach the wire transfer form to the subcontract Purchase Order Requisition and provide the following information:

- The Requisition must be in place for the entire subaward amount in Workday.
- The wire transfer form is created for the advance payment. It must list the purchase order number.
- The dollar amounts must be correct and include all pertinent banking information.
- The wire transfer is sent to the Department for approval along with backup documentation from the subaward.
- Upon approval of the Department the wire transfer is receipted in Workday by the Department and the approved/signed wire transfer form is then sent to Accounts Payable for payment from the Department.
- The Subawardee must also be registered in the Supplier Registration System.
- The subcontractor will thereafter submit detailed monthly invoices for actual expenses incurred. Invoices must be received and approved by the PI/Department before payment (as with any subcontract). Any balance remaining at the end of the subaward will have to be returned.

IV. Department and PI Responsibility

During the project, the PI is responsible for monitoring that the project is proceeding as expected and that the subawardee is submitting invoices by the required deadlines. The University will not allow additional advance payments in the event that required invoices are not received or are incomplete. As the invoices are submitted by the subawardee, the Department/PI is responsible for reviewing them for consistency with the subaward budget and compliance with the terms of the prime award. As a result of this review, the subawardee must be notified of any costs that are determined unallowable by the PI/Department.

The Department/PI is responsible for collecting any funds that have been advanced that require reimbursement to the University. This could include costs that are determined unallowable or advances that exceed the final expenditures submitted by the subawardee. If these are uncollectable from the subawardee, the department will be responsible for the uncollected funds.

If you have questions about advance payments to a subawardee, please e-mail **Subawards@Brown.edu**, or contact your Pre-Award Administrator, or call 3-2777 for assistance.

Owner: Office of Sponsored Projects/Office of the Vice President for Research
Contact Person for Policy: Michael Kostyshak, Assistant Director, Pre-Award Services

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