

## **RISK ACCOUNT PROCEDURE**

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**Review Date:** September 2022

"Risk account" is the term used for new account setups or modifications to current accounts in order to enable the charging of allowable project costs in the absence of certain award documentation from a sponsor.

The principal investigator (PI) may request that the RGC set up a new financial account or modify an existing financial account to include a limited budget for a 90-day period for one of the following purposes:

- Prior to the receipt of a fully executed award
- Prior to the receipt of incremental funds
- Prior to the approval of a no-cost extension

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 circumstances as detailed below.

### **Circumstances in Which a Risk Account May Be Necessary**

#### **Need for Pre-Award Costs**

Pre-award costs occur prior to the stated period of performance of the project. Under expanded authorities, some federal grants and cooperative agreements permit spending 90 days prior to the start of the performance period. Investigators who have an immediate need for funds in advance of the award start date may request a risk account for pre-award spending.

#### **Initial Award or Incremental Funding Anticipated But Not Yet Received**

If an award has not been received or funds have not been released, a risk account provides 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. Investigators may request a risk account if they require immediate access to additional funding prior to receipt of a modification obligating funds for the next increment.

### **No-Cost Extension Anticipated But Not Yet Received**

An authorization to extend the period of performance may be requested prior to the end of the performance period if additional time is necessary to complete the agreed upon project objectives. Such extensions typically require approval and/or notification from the sponsor. If funds remain, and the extension is officially granted but the modification has not been received, a risk account request can be completed to provide continued access to the project funds. Justification for an award extension must be based on the project objective(s), not merely to expend remaining funds.

### **Requesting a Risk Account**

When the PI and administrator determine that a risk account is needed, the PI must request a risk account by completing and submitting the following to the RGC:

1. Completed RGC Risk Account Form (RGC-7) signed by the PI, chair/director, and dean/vice president. The requesting unit/department must have discretionary funds to guarantee the budget for which the risk account is established, and the corresponding financial account number must be provided on the form at the time of the risk account request.

### **Recovery of Funds When a Sponsor Does Not Provide Funding**

Risk accounts come with inherent risks for which the PI, chair/director and dean/vice president are responsible. If the award, modification, or extension is not issued, the PI, chair/director, and dean/vice president fully understand and agree that all expenditures will be covered by the unit/department financial account provided to guarantee the risk account. The Comptroller's office will notify the dean/vice president/chair/director prior to any such transfer.