Advance Payments for Sponsored Research Projects with Non-Federal Sponsors

Brief

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BRIEF

Policy Summary

When work is performed for non-federal sponsors, sufficient advance funds must be obtained from the sponsor prior to starting work to maintain a positive cash balance during the life of the project. This policy addresses financial processes for estimating the required advance payment for work performed for non-federal sponsors.

Who Should Read This Policy

All employees with financial responsibilities for work performed for non-federal sponsors at Berkeley Lab.

To Read the Full Policy, Go To:

The POLICY tab on this wiki page

Contact Information

- Reimbursable Group Analyst
- Reimbursable Group Manager

Policy

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POLICY

A. Purpose

As a federal contractor, Lawrence Berkeley National Laboratory (Berkeley Lab) is required to adhere to Department of Energy (DOE) Contract 31 regulations. This policy incorporates the requirements of the DOE Financial Management Handbook, Chapter 13, to ensure that sufficient advance funds be obtained from a non-federal sponsor prior to commencing work in order to maintain a positive cash balance during the life of the project.
B. Persons Affected

Any employee who manages payments for work performed for non-federal sponsor.

C. Exceptions

Exceptions to the advance requirement include state and local governments that are precluded by law from providing an advance. Small Business Innovative Research (SBIR) or Small Business Technology Transfer (STTR) sub-awards are also not subject to the standard advance requirement. Per DOE Financial Management Handbook, Chapter 13, SBIR/STTR sub-awards are only required to provide 30 days of advance funding. Non-SBIR/STTR projects that require an exception must be reviewed and approved by the Budget Office.

D. Policy Statement

To ensure a positive cash balance is maintained, the amount of the advance should be at least equal to the three highest months of estimated costs, including equipment and any other unusual start-up or operational costs, as represented in the total budget. An advance of the three highest months of estimated costs is based on Berkeley Lab’s average accounts receivable aging for non-federal sponsors. A full advance is required for awards with a budget of $25,000 or less or that will be completed in 90 days or less. Methods for calculating the advance will vary depending on the type of work.

Types of possible calculation methodologies include:

1. Modified Straight-line: \( \text{Advance} = \left( \frac{\text{Total cost} - \text{start-up costs and/or large purchase}}{\text{Total number of months}} \times 3 \right) + \text{start-up costs and/or large purchase} \)
   a. Flat project burn rate with high start-up costs and/or a large purchase
   i. \text{Example:} Dr. Y is proposing work for Query Inc. for a total cost of $1,200,000. The project is anticipated to begin in September of 2010 and take 18 months to complete. Spending is expected to be about the same each month with the exception of an equipment purchase for $100,000 as well as $50,000 for supplies and materials in the first month.
   \[
   \left( \frac{(1,200,000 - 100,000 - 50,000)}{18} \times 3 \right) + 100,000 + 50,000 = 325,000
   \]
   b. Erratic burn rate where monthly projection of cost is unknown, with high start-up costs and/or a large purchase
   i. \text{Example:} Dr. Z is proposing work for the Air Society for a total cost of $1,725,000. The project is anticipated to begin in June of 2010 and take 24 months to complete. The monthly burn rate is expected to fluctuate throughout the life of the project, but a detailed cost plan has not been established. Initial supplies and materials total $100,000 as well as a large equipment purchase for $125,000.
   \[
   (1,725,000 - 125,000 - 100,000) \times 24 \times 3 + 125,000 + 100,000 = 412,500
   \]

2. Known Costing Profile: \( \text{Advance} = \text{1st highest month} + \text{2nd highest month} + \text{3rd highest month} \)
   a. Erratic burn rate where monthly projection of cost is known (includes start-up costs and/or large purchases)
   i. \text{Example:} Dr. Q is proposing work for Money Trees Corp. for a total cost of $1,000,000. The project is anticipated to begin in December of 2010 and take 12 months to complete. Expected monthly spending is as follows per the detailed monthly spend forecast proposed to Money Trees Corp: December, $75,000; January, $94,000; February, $76,000; March, $78,500; April, $74,500; May, $79,000; June, $75,500; July, $157,000; August, $74,500; September, $74,000; October, $71,500; November, $70,500.
   \[
   157,000 + 94,000 + 79,000 = 330,000
   \]

3. Unknown Costing Profile: \( \text{Advance} = \text{Total cost} \times \frac{\text{Total number of months}}{3} \)
   a. Flat project burn rate
   i. \text{Example:} Dr. W is proposing work for Global International for a total cost of $525,000. The project is anticipated to begin in October 2010 and take 12 months to complete. Spending is expected to be about the same each month.
   \[
   525,000 \times 3 = 1,575,000
   \]
   b. Erratic burn rate where monthly projection of cost is unknown, high start-up costs and/or large purchases are not expected
   i. \text{Example:} Dr. No is proposing work for Genes R Us Ltd. for a total cost of $1,325,000. The project is anticipated to begin in January 2010 and take 20 months to complete. It is not clear at this point what the monthly burn rate will be; high start-up costs are not expected, and the budget does not include large purchases.
   \[
   1,325,000 \times 3 = 3,975,000
   \]
E. Roles and Responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
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<tbody>
<tr>
<td>Resource Analyst</td>
<td>Works with the PI to determine the advance amount required</td>
</tr>
<tr>
<td>IPO/RG Contract Officer</td>
<td>Communicates and negotiates advance terms with sponsors</td>
</tr>
<tr>
<td>Reimbursable Group</td>
<td>Creates and distributes the advance invoice</td>
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F. Definitions/Acronyms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Burn Rate</td>
<td>The rate at which costs are incurred</td>
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<tr>
<td>Strategic Partnership Projects (SPP)</td>
<td>The performance of work for non-DOE entities by DOE/contractor personnel and/or the utilization of DOE facilities that are not directly funded by DOE appropriations</td>
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</table>

G. Recordkeeping Requirements

None

H. Implementing Documents

None

I. Contact Information

- Reimbursable Group Analyst
- Reimbursable Group Manager

J. Revision History

<table>
<thead>
<tr>
<th>Date</th>
<th>Revision</th>
<th>By whom</th>
<th>Revision Description</th>
<th>Section(s) affected</th>
<th>Change Type</th>
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<tbody>
<tr>
<td>7/28/2016</td>
<td>1.2</td>
<td>M. Fix</td>
<td>Update for change from WFO to SPP; reduce advance requirements; clarify R&amp;R</td>
<td>All</td>
<td>Minor</td>
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<tr>
<td>3/25/2013</td>
<td>1.1</td>
<td>Franier</td>
<td>Review completed 2/21/2013, no changes</td>
<td>Pub &amp; next review dates</td>
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<tr>
<td>1/2/2012</td>
<td>1</td>
<td>M. Mock</td>
<td>Reformat for wiki</td>
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Document Information

**DOCUMENT INFORMATION**

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<tr>
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<tr>
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<td>11.02.010.000</td>
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</table>
Revision number | 1.2
---|---
Publication date: | 7/28/2016
Effective date: | 7/28/2016
Next review date: | 4/30/2018
Policy Area: | Budget
RPM Section (home) | Financial Management
RPM Section (cross-reference) | Section 11.15
Functional Division | OCFO
Prior reference information (optional) | 

**Source Requirements Documents**

- DOE Financial Management Handbook, Chapter 13
- DOE Order 481.1C, Work for Others (Non-Department of Energy Funded Work)

**Other Driving Requirements**

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<tr>
<td>11.02.001.000</td>
<td>Bridge Funding for Sponsored Research Projects policy</td>
<td>Policy</td>
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<tr>
<td>11.02.007.000</td>
<td>WN Funding Requests policy</td>
<td>Policy</td>
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<tr>
<td>11.01.001.000</td>
<td>Sponsored Research Projects - Nonstandard Financial Terms and Conditions</td>
<td>policy</td>
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**Implementing Documents**

None