

Section 6.4: Pre-Agreement Cost Approvals

Pre-agreement costs are those costs incurred prior to a subgrant being made or prior to the first day of the official subgrant period specified in the award agreement and are incurred in anticipation of the subgrant approval. The costs must be necessary to comply with the proposed work schedule or period of performance and are specifically identified in the application. Such costs are allowable only to the extent that they would have been allowable if incurred during the grant period, and are included in the award budget. Pre-agreement costs are only allowable with prior approval of the grantor finance representative. These costs must be included in the budget that is pending review. Pre-agreement costs generally are not allowed and the potential subgrantee should be made aware that any expenditure on its part is done at its own risk.

PURPOSE AND POLICY

Sometimes a project or program (or phase of a project) is scheduled to begin prior to the review and award of the subgrant. In these cases, applicants may request to begin work in anticipation of receiving a subgrant. These costs are paid for out-of-pocket and later charged against the subaward amount. Once the grantor finance representative reviews and approves the pre-agreement costs, grantor leadership or supervisor should review and approve at the recommendation of the grant program manager. If the subgrant subsequently is not made, the pre-agreement costs are non-recoverable. Pre-agreement costs should only be considered if the applicant can demonstrate, in writing, why the project must start on a particular date. When completing an award package for an applicant, the project start date should coincide with the date for which the subgrantee was approved to begin incurring pre-agreement costs.

Uniform Guidance [§200.458](#) (Pre-award costs) details the requirements for pre-agreement costs for subgrants funded in whole or in part with federal monies. Grantor agencies should establish a policy regarding pre-agreement costs, which could, at a minimum, reflect the policy discussion above; subsequent procedures should include the following considerations.

PROCEDURE

1. **Receive request and justification for pre-agreement costs.** The grant program manager receives a written formal request and justification for pre-agreement costs from the applicant.
2. **Grantor agency review and approval.** The grant program manager checks to see if any other pre-award requirements (such as an environmental impact review) have been completed for the application. Once the grant program manager has reviewed the written formal request for pre-agreement cost approval, the grantor finance representative reviews the request. Upon review and recommendation from the

grant program manager and finance representative, the grant program manager's supervisor or grantor agency leadership approves or denies the request.

3. **Send letter to applicant if approval of pre-agreement costs is recommended.** If the pre-agreement costs are approved, the grant program manager prepares and sends (emails) a letter to the applicant, preferably via the eCivis Subrecipient Manager (SRM). A sample of a pre-agreement cost letter is included in the appendix. Also see [Section 9.2](#) on grant closeouts.
4. **Retain a copy of the letter in the official grant file.** The grant program manager retains a copy of the letter regarding approval or disapproval of the pre-agreement costs in the official grant file, preferably in the eCivis Subrecipient Manager (SRM).