



University of Pittsburgh

FINANCIAL GUIDELINE

Subject: Accounting For Sponsored Projects vs. Gifts

I. Guideline Background

Sponsored projects (grants, contracts, cooperative agreements, etc.) and gifts comprise a significant portion of the operating revenue of the University. Distinguishing between sponsored projects and gifts can be difficult from an administrative, financial and fundraising perspective. The terms grant and gift have different meanings from an accounting perspective and are sometimes erroneously used interchangeably by sponsors and donors. It is important for the University to properly distinguish between sponsored projects and gifts, and account for each appropriately. This is due to the fact that from a research, administration, financial reporting, research/cost accounting, budget, fundraising and legal perspective, sponsored projects and gifts received by the University can have drastically different requirements. Accordingly, the proper differentiation and accounting for sponsored projects vs. gifts is of paramount importance.

II. Applicability

It is important to note that the intent of this guideline is to facilitate the accounting for sponsored projects and gifts. All fundraising guidelines issued by the Office of Institutional Advancement are still applicable and this guideline is not intended to supercede any fundraising guidance previously issued. Since the same project can be classified as a sponsored project for accounting purposes, while also being classified as a gift for fundraising purposes, care must be taken to comply with both accounting and fundraising guidance when administering sponsored projects.

III. Scope

This guideline establishes the requirements for determining the proper accounting for sponsored projects vs. gifts in accordance with accepted practices for colleges and universities. It also establishes the criteria for properly distinguishing between sponsored projects and gifts to facilitate this proper accounting. Further, it addresses issues ancillary to the topic, and consequences of noncompliance. Finally, this guideline also



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III. Scope (con't)

establishes the following responsibilities for the accounting and administration of sponsored projects and gifts at the University:

Office of Research - management and administration of sponsored projects, facilitating establishment of University accounts for grant accounts only, and referral of all gifts to the Office of Institutional Advancement.

Office of Institutional Advancement – receipt, processing and acknowledgement of gifts, facilitating establishment of University accounts for gift accounts only and referral of all sponsored projects to the Office of Research.

Principal Investigator and the Departmental/Research Administrator - to determine and request the establishment of the proper University fund account category in which sponsored project or gift funds are to be deposited and accounted for.

General Accounting - to activate gift accounts only.

Research/Cost Accounting - to activate sponsored project accounts only.

Assistant Vice Chancellor for Corporate and Foundation Relations, Directors of Office of Research, General Accounting and Research/Cost Accounting - to provide support, guidance and a framework for the proper recording of sponsored projects and gifts at the University.

IV. Guideline

A sponsored project is any externally funded research, scholarly or public service activity that has a defined scope of work or set of objectives which provides a basis for sponsor requirements or expectations. Sponsored projects are properly accounted for in entity 05 in the University's general ledger.

A gift is a non-reciprocal transfer of funds, with a charitable intent, for which the donor may or may not have certain expectations. Gifts are properly accounted for in entity 04 in the University's general ledger.



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IV. Guideline (con't)

Sponsored projects

Specific characteristics that can assist in the identification and classification of sponsored projects include one or more of the following:

- The award instrument is an agreement that binds the University to a specific set of terms and conditions that typically results in a specific “sponsored project outcome” or other “deliverable” and requires approval by the Office of Research
- The award is typically administered by the University’s Office of Research
- The award is revocable by either party due to failure to perform
- The funding source is a sponsor such as federal, state and local governments as well as private companies and foundations
- The terms of the agreement obligates the investigator to a line of scientific, scholarly or public service inquiry that follows a plan, scope of work or protocol, provides for orderly testing or evaluation, and/or seeks to meet stated performance goals and designates the investigator as project technical expert
- The agreement establishes an understanding of how funds will be used or includes a detailed, itemized budget that identifies expenses by activity, function or project period. Typically, this budget specifically references a line item for University facilities and administrative or indirect costs, whether or not these costs are included in the award. The award is separately budgeted and accounted for
- The award can require a cost sharing, matching or other financial commitment from the University
- The award can require prior written approval of certain expenditures by the sponsor
- The agreement requires fiscal accountability as evidenced by the submission of financial reports to the sponsor, an audit provision or the return of unexpended funds at the conclusion of the project
- The agreement includes specific deliverables and obligates the investigator to report project results or convey rights to tangible or intangible properties resulting from the project. Examples of



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tangible properties include equipment, records, technical reports, theses or dissertations and technical assistance or training.

Intangible properties include rights in data, copyrights, or patents

- The award monitors or restricts the publication or other use of the results obtained from the award
- The agreement seeks considerations such as indemnification or imposes other terms that require legal accountability
- Payments are contingent upon programmatic or fiscal reporting that take the form of milestone payments, periodic invoices or installment payments
- The agreement includes standard or "boilerplate" terms and conditions imposed by either/both parties and includes a defined period of performance that has the "appearance" of a contract
- The project can refer to specific protocols that involve the use of human subjects, vertebrate animals, radioisotopes on humans, hazardous waste, recombinant DNA, human body parts or substances or etiologic agents or proprietary materials
- The award is made through a competitive process in response to a request for proposal or other competitive agency solicitation or announcement
- The award is governed by explicit or implicit sponsor regulations or guidelines that can include the allowability of certain categories of costs
- The award contains language that would allude to an award type such as cost reimbursable, firm fixed price or "not to exceed" limitations
- The award can include Federal pass-through funding

Gifts

Specific characteristics that can assist in the identification and classification of gifts and other philanthropic awards, that are not sponsored projects, include one or more of the following:

- The award instrument has a charitable or philanthropic intent and contains only general obligations on behalf of the University, does not result in a "sponsored project outcome" or other award specific



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- deliverable, and requires acceptance by Institutional Advancement
- The award is typically received, processed and acknowledged by the University's Office of Institutional Advancement
- The award is generally irrevocable
- The funding source is a donor such as an individual, alumnus, private foundation or company, but never a governmental organization, and designates a department, school or the University itself as recipient
- The agreement supports a purpose that is restricted by a donor or the University itself, can be used to fund general University activities and such specific activities as endowments or capital projects
- Funds from the award may be aggregated with similar philanthropic award funds and generally do not have a detailed project budget and do not include indirect costs
- The award can require matching or other financial commitment from the University, but not cost sharing
- The award does not require prior approval of any expenditures
- The agreement requires only minimum accountability and reporting to the donor consisting of a general statement of fund usage
- The agreement includes no specific deliverables and contains only minimal requirements generally relating to required donor pledge payments and the University's commitment to effectuate the donor's intent
- The award generally does not require published results that are award specific
- The agreement usually requires no further obligations or legal restrictions such as indemnification or intellectual property rights on the part of the University
- Payments may be contingent upon a sponsor's approval or satisfaction of the use of the proceeds of the award, or other non-technical criteria
- The agreement can have standard terms and conditions, but generally has no defined period of performance and has the "appearance" of providing a statement of philanthropic support
- The award can never refer to specific protocols that involve the use of human subjects, vertebrate animals, radioisotopes on humans,



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- hazardous waste, recombinant DNA, human body parts or substances or etiologic agents or proprietary materials
- The award is never made through a competitive process in response to a request for proposal or other competitive agency solicitation or announcement
- The award is not governed by explicit or implicit federal, state or other published sponsor regulations
- The award would never contain language that would allude to an award type such as cost reimbursable, firm fixed price or "not to exceed" limitations
- The award never includes Federal pass-through funding

Documentation

In order to arrive at an accurate sponsored project vs. gift decision, the following documentation should be in the possession of the University, if available:

- Detailed requests for proposals, solicitations, agency announcements, funding applications and funding requests including the scopes of work submitted to the sponsor or donor by the University
- The notice of award or award letter and any related documentation including all information regarding the sponsor's or donor's intent
- Terms and conditions of the award
- Budget related documentation
- General correspondence
- The University's funding history with this donor or sponsor

These documents are instrumental in determining the intent of the donor or sponsor, and every effort should be made by University personnel involved in obtaining the sponsored project or gift to ensure that the intent is clearly stated in the sponsored project or gift documents.



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Process

The process for determining whether an award qualifies as a sponsored project or gift should be made utilizing the existing Responsibility Center/School and Departmental processes.

When the determination is routine and simple, the decision will likely occur at the Department level at the direction of the Departmental/Research Administrator and the Principal Investigator.

When these processes do not result in a clear and convincing decision as to whether an award represents a sponsored project or a gift to the University, the Departmental/Research Administrator and the Principal

Investigator should seek the input of the Director of the Office of Research and/or the Assistant Vice Chancellor for Corporate and Foundation Relations of the Office of Institutional Advancement depending upon the circumstances. If agreement still cannot be reached, additional representatives of the University Central Administration should be consulted including, but not limited to, the Office of Financial Information, the Office of General Counsel and the Office of the Provost.

Combined Awards

The University often receives awards from sponsors/donors that include both sponsored project and gift components. Awards must be carefully reviewed to distinguish between the sponsored project and gift components to ensure that separate accounts are established for each award component. This will ensure that the requirements of each component are fulfilled while maintaining the integrity of the University accounting for the awards. During the negotiation of the combined award, effort should be expended to record the sponsor/donor's intent in writing in the award document to eliminate interpretation by the University.

Other Revenues - Ancillary Business Service Awards

The University regularly provides what is referred to as ancillary business services that indirectly relate to the University's three-fold mission of



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instruction, sponsored projects and public service. These services can be provided to for-profit as well as not-for-profit entities external to the University and are an extension of the Universities "core competencies" to the private and public sector. These services are generally provided on a fixed price basis and may be either competitive with similar services in the private and public sector or sole source. Examples include scientific, engineering or other professional services, imaging, scanning or other scientific testing, analysis of materials or other samples, continuing education programs, conferences, seminars and sessions for the dissemination of knowledge and materials emanating from the University, educational or other products and materials, membership fees in an institute, center or other University entity for services provided.

Ancillary business services are neither gifts nor sponsored projects, and should not be accounted for in entity 04 or 05 accounts. They represent University contracts where the revenue and associated costs, including the University's applicable internal indirect cost rate, must be accounted for in entity 03 accounts established for ancillary business services.

Other Revenues - Purchased Service Awards

Technically, the University does not perform consulting services. However, under certain circumstances, purchased services can be performed that require accounting clarification.

Purchased services representing Intergovernmental Personnel Act (IPA) agreements, or purchased services representing reimbursement of a University employee's effort is a public service to the sponsor and must be accounted for in entity 05 accounts to ensure centralized billing for these services.

Any other purchased services performed by a Principal Investigator as an individual, and not in their official capacity as an employee of the University, is payable to the individual and should never be payable to the University or recorded to the general ledger of the University.



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Other Revenues - Technology Transfer Agreements

Revenues that are generated as a result of license or transfer of proprietary University intellectual property or technology must be accounted for in accordance with procedures established by the University's Office of Technology Management as they represent neither a grant nor a gift. Awards that meet the requirements of or contain provisions for use of proprietary University intellectual property or technology should be referred to the Office of Technology Management before they are negotiated.

Other Revenues – Clinical Trial Accounts

Clinical trials, also referred to as pharmaceutical or drug studies are an organized, medical based study (with a protocol reviewed and approved by an appropriate review board) of a new or existing drug, medical device or medical or biological treatment. They typically represent fixed price agreements that are reimbursed based on a pre-determined price or fixed fee per unit of service or product. A clinical trial represents a contract to the University regardless of the terminology used by the awarding organization and therefore never represents a gift to the institution. Clinical trial agreements will always represent a sponsored project to the institution and be recorded in entity 05 on the University's general ledger.

Impact

Consequences of improper accounting for sponsored projects vs. gifts at the University can increase the possibility of potential legal, financial and administrative business risks to the University due to:

- Absence of a proper award document
- Negotiation of improper award documents binding the University
- Improper approval of awards by unauthorized University personnel
- Failure to submit technical and financial reports to the sponsor
- Potential commitment of funds to non-project related activities
- Failure to invoice or otherwise collect revenue from the sponsor
- Improper internal and external financial reporting
- Improper internal University budgeting
- Improper calculation of the University's indirect cost rate



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- Violation of federal and other agency regulations
- Failure to meet requirements of a sponsor audit
- Damage to sponsor and donor relations
- Legal, financial and administrative disputes with sponsors or donors resulting in loss of current or future funding
- Negative customer relations with sponsors or donors and negative publicity for the University

V. Definitions

Departmental/Research Administrator – the individual designated by the department or Principal Investigator who is responsible for the financial accounting, budgeting and administration of the department's sponsored awards.

Department Chair – the individual designated by the Dean of the school who is responsible for the general financial and administrative oversight of grant and contract activities conducted within the respective Department.

Direct Cost – those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

Donor – a third-party provider or source of gift funds to the University.

Gift – a non-reciprocal transfer of funds with a charitable intent for which the donor may or may not have certain expectations.

Grant – or sponsored project is any externally funded research, scholarly or public service activity that has a defined scope of work or set of objectives which provides a basis for sponsor requirements or expectations.

Indirect or Facilities and Administrative (F&A) Costs – those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity or any other institutional activity.



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V. Definitions (con't)

Principal Investigator – the individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity. At the discretion of the Dean, a Principal Investigator for sponsored programs is typically a tenured or tenured stream faculty but can also include other members of the academic community such as research associates or non-tenure stream research/clinical faculty.

Sponsored Project – or grant is any externally funded research, scholarly or public service activity that has a defined scope of work or set of objectives which provides a basis for sponsor requirements or expectations.

Research Outcome – the specific product of the research or other sponsored project effort such as study data, test results, technical reports, publications, education services, process improvements or efficiencies, tangible products, etc.

Sponsor – a third-party provider or source of grant or sponsored project funds to the University.

VI. References

OMB Circular A-21 B.

A proper system of internal accounting and administrative controls for Colleges and Universities.

Presentation Materials from the following Professional Organizations:

- National Association of College and University Business Officers (NACUBO)
- National Council of University Research Administrators (NCURA)
- Northeast Conference on College Cost Accounting (NECA)



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Summary of Sponsored Project vs. Gift Attributes

Sponsored projects

- binds the University to a specific set of terms and conditions
- typically results in a “sponsored project outcome”
- administered and approved by the University’s Office of Research
- revocable by either party due to failure to perform
- sponsors include governmental as well as private companies and foundations
- obligates the investigator to a line of scientific, scholarly or public service inquiry that follows a plan, scope of work or protocol
- designates the investigator as project technical expert
- establishes an understanding of how funds will be used or includes a detailed, itemized budget that identifies expenses by activity, function or project period
- can include indirect costs

Gifts

- has a charitable intent and only generally obligates the University
- does not result in a “sponsored project outcome”
- processed and accepted by the University’s Office of Institutional Advancement
- generally irrevocable
- donors include individuals, alumnus, foundations or companies only, and never federal, state, or local government agencies
- supports a purpose that is restricted by a donor or the University itself
- designates a department, school or the University itself as recipient
- can be used to fund general University activities and such specific activities as endowments or capital projects limited only by the amount of the contribution
- does not include indirect costs



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Summary of Sponsored Project vs. Gift Attributes

Sponsored projects

- separately budgeted and accounted for
- can require a cost sharing, matching or other financial commitment from the University
- can require prior written approval of certain expenditures by the sponsor
- requires fiscal accountability as evidenced by the submission of financial reports to the sponsor, an audit provision or the return of unexpended funds at the conclusion of the project
- includes specific deliverables and obligates the investigator to report project results or convey rights to tangible or intangible properties resulting from the project
- monitors or restricts the publication or other use of the results obtained
- seeks considerations such as indemnification or imposes other terms that require legal accountability
- payments are contingent upon programmatic or fiscal reporting that take the form of milestone payments, periodic invoices or installment payments

Gifts

- may be aggregated with similar philanthropic awards
- can require matching funds or other financial commitment from the University, but not cost sharing
- does not require prior approval of any expenditures
- requires only minimum fiscal accountability and reporting to the donor in the form of a general statement of how the funds were used
- includes no specific deliverables and contains only minimal requirements generally relating to required donor pledge payments and the University's commitment to effectuate the donor's intent
- generally does not require published results that are award specific
- usually requires no further obligations or legal restrictions on the part of the University
- payments may be contingent upon a sponsor's approval or satisfaction of the use of the proceeds of the award, or other non-technical criteria



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Summary of Sponsored Project vs. Gift Attributes

Sponsored projects

- includes standard “boilerplate” terms and conditions imposed by either/both parties and includes a defined period of performance and has the “appearance” of a contract
- can refer to specific protocols that involve the use of human subjects, vertebrate animals, radioisotopes on humans, hazardous waste, recombinant DNA, human body parts or substances or etiologic agents or proprietary materials
- made through a competitive process in response to a request for proposal or other competitive agency solicitation or announcement
- governed by explicit or implicit sponsor regulations or guidelines that can include the allowability of certain categories of costs
- contains language that would elude to an award type such as cost reimbursable, firm fixed price or “not to exceed” limitations
- can include Federal pass-through funding

Gifts

- can have standard terms and conditions, but generally no defined period of performance and has the “appearance” of providing a statement of philanthropic support
- would never refer to specific protocols that involve the use of human subjects, vertebrate animals, radioisotopes on humans, hazardous waste, recombinant DNA, human body parts or substances or etiologic agents or proprietary materials
- never made through a competitive process in response to a request for proposal or other competitive agency solicitation or announcement
- not governed by explicit or implicit federal, state or other published sponsor regulations
- would never contain language that would elude to an award type such as cost reimbursable, firm fixed price or “not to exceed” limitations
- never includes Federal pass-through funding