

Frequently Asked Questions

Policy on Distinguishing Gifts vs. Sponsored Awards in External Funding Received by Harvard

1. Q: Why is it a grant if the documentation says “gift”? (In the alternative: Why is it a gift if the documentation says “grant”?)

A: While the sponsor’s or donor’s labeling of funding to the University as a gift or sponsored award may show some indication of the sponsor’s intent in providing the funds, the way that a sponsor or donor labels his or her financial contribution is not dispositive of the University’s determination of whether external funds transferred to the University should be classified as a gift or a sponsored award. The terms and conditions that accompany external funds must be closely reviewed to determine whether there are restrictions over the use of the funds, including but not limited to specific faculty members, specific scopes of work, the obligation to produce deliverables, or specific reporting by budget line item. If a faculty member or administrator is unclear about the designation of an award, s/he should contact their School-level officials, submitting office (OSP or SPA in Longwood) or RSO, either of which will consult one another, as well as other University offices, as appropriate.

2. Q: How can it be a gift if reporting is required?

A: Reporting is an important aspect of all award types. Donors are entitled to know that their donation was spent for the intended purpose. The more detailed the reporting is, both in terms of specificity and frequency, the more likely the award is not a gift, and is instead a sponsored award. However, it is important to remember that reporting requirements alone are not determinative of the classification of external funds as a gift or sponsored award.

3. Q: Does the inclusion (or exclusion) of overhead factor into determining whether these funds represent a gift or a sponsored award?

A: Whether external funds allow for or prohibit overhead does not affect the determination of whether those funds represent a gift or a sponsored award. All sponsored awards that prohibit overhead (and all gifts whose terms prohibit payment of the gift assessment) must meet the approval of the cognizant School before the University can accept them.

Moreover, the classification of funds as gifts or sponsored awards is dependent on the terms and conditions accompanying the funding. The amount of overhead or the amount to be set aside for gift assessment does not have any bearing on this classification. The determination should rest only on whether the various elements of the funding indicate that the funding is a gift or a sponsored award, according to University policy. Attempts to maximize funds available for research by minimizing the funds available for overhead or gift assessment are prohibited.

4. Q: How can a sponsor of research be thought to receive a benefit from a sponsored award it provides? What is a “benefit received” by the funder?

A: In most cases, a gift, although related to the personal interests of a donor (for example, an interest in an area of scientific research or of humanities education), does not directly benefit the donor, except insofar as it promotes the donor’s personal philanthropic interests. There is, in general, a more attenuated relationship between a donor and Harvard’s use of a gift, than between a sponsor and Harvard’s discharge of its duties under a sponsored award. A sponsor’s interest is fundamentally tied to the purpose and goals of a sponsored award, and a sponsored award is typically intended to lead to the creation of specific knowledge. A gift to a scientific department to promote studies or education in that area would be consistent with the donor’s personal interest in that topic, but the donor typically allows the department, the investigator or lab to whom or to which the gift is directed to determine the best specific uses of the funds. A sponsor expects that the investigator will execute the proposed research plan as proposed, or seek approval to vary from the proposed plan. In general, therefore, a

donor of a gift expects less control over the use of the gift funds than a sponsor expects over the use of a sponsored award. The gift donor most often trusts the recipient to use the gift for its own purposes, while a sponsor expects the recipient of a sponsored award to use the sponsored award as proposed. In executing a research plan as proposed under a sponsored award, the investigator, his or her department and school, and the University, presumably are yielding a direct benefit to the research agenda of the sponsor.

5. Q: What if the terms of external funding require a mechanism by which a funder would be asked periodically to approve specific program or research activities and/or specific uses of portions of funds. Would these terms render this funding a gift or a sponsored award?

A: This funding would likely be considered as a sponsored award, because of the lingering control of the funder over specific activities for which the funds would be used and/or the budgets for those activities. If at the outset of the funding there are no specific plans, this factor does not render such funding a gift if the funder retains future control that approximates that of a sponsor.

6. Q: Is it required to create and maintain documentation supporting the determination of gift vs. sponsored award? If so, what format should be used for documentation and for how long is documentation required to be kept?

A: Documentation of the gift vs. sponsored award determination is highly desirable and making and retaining the documentation in "close cases" should be standard practice in the submitting office and RSO. Due to the high volume of gift and sponsored awards, it would be onerous to create and retain documentation for all transactions. As such, documentation should be prepared and retained only for "close calls," in which the designation is not clear. Consultation with another party or office within the school or University related to the conclusion reached should be documented. More specifically, if the conclusion is not obvious to a reasonable, informed person, then documentation should be kept.

There is no prescribed decision tree or checklist required as documentation. If there was correspondence via email, preserving the e mail trail may be sufficient. If there was correspondence in person or over the telephone, a brief written summary of the key points would likely be sufficient. The final documentation should generally include the key factors considered in the final designation, with a brief explanation of the reasoning for the designation.

In general, consistent with the research data retention principles of the University, such documentation should be preserved for seven years after the end of activities under, or a financial close-out of, a gift or sponsored award, whichever is later.