

**SPONSORED PROJECTS OR RESEARCH GIFTS
AUGUST 2008
Policy 1.1.02**

Policy:

All external funds determined to be a sponsored project must be processed through the University of Kansas Medical Center Research Institute.

Purpose:

The purpose of this policy is to clarify the difference between the sponsored projects and research gifts. In relation to accounting and financial procedures, the terms have specific differences. Both sponsored projects and research gift funded activities are externally-supported, with funds typically provided in response to a request or proposal. The classification of funding as "research gift" or "sponsored project" will affect the way KUMC Research Institute (KUMCRI) accounts for the funds, calculates and applies Facilities & Administrative (F&A) indirect costs, and reports on the use of the funds to the sponsor or donor and to the Office of the Associate Vice Chancellor for Research Administration.

Procedures:

Sponsored Projects

Sponsored Projects are externally-funded activities in which a formal written agreement, i.e., a grant, contract, or cooperative agreement, is entered into by KUMCRI and by the sponsor. Sponsored projects typically have a specified statement of work with identified deliverables, allow for detailed financial accounting, and have a budget which includes direct and indirect costs of the research activity.

Sponsored Projects are to be managed by KUMCRI.

The following conditions characterize a sponsored project agreement, and help to distinguish such agreements from gifts:

1. Statement of Work

Sponsored projects are typically awarded to KUMCRI in response to a detailed statement of work and commitment to a specified project plan. As described below, this statement of work is usually supported by both a project description and a line-item budget, both of which are essential to financial accountability. The statement of work and budget are usually described in a written proposal submitted by KUMCRI to the sponsor for review and agreement.

2. Detailed Financial Accountability

The sponsored project agreement includes detailed financial accountability, typically including such conditions as:

- a line-item budget related to the project plan. The terms of the agreement may specify allowable or unallowable costs, requirements for prior approvals for particular expenditures, etc.
- a specified period of performance, typically defined with "start" and "stop" dates
- a requirement to return any unexpended funds at the end of that period
- regular financial reporting and audit, including, for federal and state awards, accountability under the terms of Office of Management and Budget circular A-21 and Office of Management and Budget circular A-110. These conditions generally define the level of financial accountability associated with a sponsored project.

3. Required Deliverables

Sponsored project agreements also usually include contractual consideration such as:

- terms and conditions for the disposition of tangible properties (e. g., equipment, records, specified technical reports),
- intangible properties (e.g., intellectual property [rights in data, copyrights, inventions], testing, or evaluation of proprietary property),
- other services or considerations specified by the sponsor.

While not all of the above conditions are necessary to define a sponsored project, they are collectively indicative of the increased level of financial accountability associated with such projects.

Research Gifts

A research gift is defined as any item of value given to the University by a donor who wishes to support the research of a faculty member or group of faculty members, and who expects nothing of significant value in return, other than recognition and disposition of the gift in accordance with the donor's wishes. For example, an individual may donate to The University of Kansas Medical Center the amount of \$500,000 with the only stipulations that the funds be used for a specific area of research - such as amyotrophic lateral sclerosis, "ALS" - and the donor recognized for the contribution.

Therefore, a gift is designated as a Research Gift when it is provided as unrestricted funds or as an in-kind contribution to support the research of one or more specified faculty members or research programs.

Research Gifts are to be managed by KU Endowment Association.*

In general, the following characteristics describe a research gift:

1. **Research gifts do not carry restrictions**, no contractual requirements are imposed and there are no deliverables to the donor. If restrictions are imposed on the use of funds, such funds will be regarded as a sponsored project and treated accordingly. A research gift may, however, be accompanied by an agreement that specifies the use of the funds for a particular purpose.
2. **A research gift is irrevocable**. While the gift may be intended for use within a certain timeframe, there is no specified "period of performance" or "start/stop" dates as associated with sponsored projects.
3. **There is no formal fiscal accountability to the donor beyond periodic progress reports and summary reports of expenditures**. These reports may be thought of as requirements of good stewardship, and, as such, may be required by the terms of a gift. They are not characterized as contractual obligations or deliverables.

Recovery of Direct and Indirect Costs and Gift Fees

Once extramural funds have been classified as sponsored projects or as gifts, the following mechanisms are in place to recover costs incurred by the University through KUMCRI. In accordance with University of Kansas Medical Center policy, sponsored projects must recover the full cost of research, both direct and indirect. For more information on indirect costs/overhead please go to <http://www2.kumc.edu/researchinstitute/spa/spabudgetinformation.html>. A sponsored project budget will include the University's full negotiated F&A (indirect) cost rate, unless a waiver of those costs has been approved.

* The KU Endowment Association is a not-for-profit 501(c)(3) corporation established in 1891 to be the official foundation for raising and managing private funds on behalf of The University of Kansas.

DISTINGUISHING BETWEEN RESEARCH GIFTS AND SPONSORED PROJECTS

Distinctions Based On Source of Funds

All funds provided by U.S. Government agencies, at the federal, state, or local level, in support of University activities are treated as sponsored project funding. Government funds are not treated as gifts. Funding from Voluntary Health Organizations or Associations, such as the American Cancer Society or American Heart Association are also treated as a sponsored projects.

Distinctions Based on Intent of Donor/Sponsor

In cases where funding is being provided by corporations, foundations or others not specified above, the distinction between research gifts and sponsored projects will be made based on the nature of the proposal, statement of work, and/or terms of the agreement, taking into consideration the intent of the donor/sponsor.

Note that, in some situations, associated communications about the award or gift, including written proposal or award documents, or conversations, have already made it clear that the donor's/sponsor's intent was to classify an award to the University as either a research gift or a sponsored project. In these cases, the terms of the accompanying agreement may have to be adjusted in consultation with the donor/sponsor in order to clearly document the intent, and avoid unintended classification, while insuring that appropriate University and KUEA policies are followed.

THE DECISION-MAKING PROCESS IN UNCLEAR SITUATIONS

In some cases, the distinction between research gifts and sponsored projects can be difficult to determine. If PIs, departments or units need assistance in determining whether an interaction should be managed as a gift or a grant, please contact KUMCRI Sponsored Programs Administration at 913-588-1259 or spa@kumc.edu. In the event that a classification still cannot be made, the Associate Vice Chancellor for Research Administration and the Vice President for Medical Development at KU Endowment Association will jointly resolve the issue. If necessary, the final arbiter is the Executive Vice Chancellor.

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Definitions:

Office of Management and Budget circular A-21: Federal circular establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.

Office of Management and Budget circular A-110: Uniform administrative requirements for grants and agreements with institutions of higher education, hospitals, and non-profit organizations.

Research Gift: Any item of value given to the University by a donor who wishes to support the research of a faculty member or group of faculty members, and who expects nothing of significant value in return, other than recognition and disposition of the gift in accordance with the donor's wishes.

Sponsored Project: Externally-funded activities in which a formal written agreement, i.e., a grant, contract, or cooperative agreement, is entered into by KUMCRI and by the sponsor. Sponsored projects typically have a specified statement of work with identified deliverables, allow for detailed financial accounting, and have a budget which includes direct and indirect costs of the research activity.

Responsible Parties:

This policy shall apply to all KUMC Research Institute staff, KUMC faculty, staff, postdoctoral fellows, students, trainees, and any other persons at KUMC, University of Kansas Physicians Incorporated and its affiliates, and KU Hospital staff involved in conducting and/or coordinating or managing research at KUMC.

Exemptions:

None

Related Policies and Links:

KU Endowment Association <http://www.kuendowment.org/>

KUMC Faculty Handbook <http://www2.kumc.edu/aa/fa/Default.htm>

KUMC Research Institute Accounting Procedures for Grants and Contracts <http://www2.kumc.edu/researchinstitute/spa/acct.procs.html>

KUMC Research Institute Sponsored Programs versus Gifts Indicator List

Office of Management and Budget circular A-21 http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

Office of Management and Budget circular A-110 <http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Contacts:

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Associate Vice Chancellor for Research Administration: 913-945-6636

Director of Sponsored Programs Administration: 913-588-1259

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