

Procedures

Implementing the Auburn University and Affiliated Foundations Policy to Identify and Administer Gifts and Sponsored Projects

Auburn University and its affiliated foundations receive income from a wide variety of sources and for many different purposes. These procedures are designed to properly account for external funding received in the form of gifts or sponsored projects in accordance with the Auburn University and Affiliated Foundations Policy to Identify and Administer Gifts and Sponsored Projects. The intent is to ensure proper handling of the funds and the documentation for purposes of regulatory compliance, stewardship, cost recovery, project capitalization, institutional reporting, and responsibility to the provider.

Conditions and Definitions describing a sponsored project or a gift:

The classification of funding as “gift” or “sponsored” will affect, among other things, the way Auburn University and Auburn University Foundation account for the funds, recover costs, monitor activities and report on the use of the funds to the sponsor, donor, or other appropriate agencies. Because the external sources often use the terms “grant” or “gift” in a manner inconsistent with our objectives, the language used by the donor or sponsor should not in and of itself determine the classification of the funds.

Sponsored Projects - Sponsored projects are externally funded activities in which a formal written agreement, i.e., a memorandum of understanding, grant, contract, cooperative agreement, or subagreement, is entered into by Auburn University and the provider of the funding (sponsor). A sponsored project might typically be an exchange transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value, however, certain non-exchange grants may contain conditions that would call for monitoring as a sponsored project.

Statement of Work - A detailed narrative describing specific activities and commitment to a specified project plan. This proposed activity is usually supported by both a project schedule 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 Auburn University to the sponsor for review. However, existence of a written proposal does not always indicate a sponsored agreement, likewise, the absence of a written proposal does not always indicate a gift. Obligations associated with the relationship are often made at the time a decision to provide funding is made by the fund’s provider.

Detailed financial accountability - Sponsored projects usually require detailed reporting of expenditures and budget related performance measures. Generally, there is a requirement to adhere to a project plan with performance related budget line items and a specified starting and ending project dates. Additionally, there is usually a requirement to return unexpended funds at the end of the project period or if performance is not acceptable. Certain types of costs may be classified as allowable or unallowable with opportunity for the sponsor to audit expenses at some later date. Sponsored projects are designed to ensure appropriate cost recovery to the University for performing a project for an external sponsor. This includes reimbursement of faculty effort, other project specific costs, as well as institutional overhead (Facilities and Administrative or F&A).

Disposition of properties (deliverables, reversionary rights, records, inventions, etc.) - Sponsored agreements usually include terms and conditions for restrictions on or disposition of tangible properties

(e.g., equipment, records, specified technical reports, theses, dissertations, prototypes, etc.) or intangible properties (e.g., rights in data, copyrights, inventions, publications rights, etc.). The presence of such terms and conditions in the agreement indicates that the activity is a sponsored project. Noncompliance with such terms and conditions often results in withholding of payment to the institution or return of funding to the sponsor.

Regulatory compliance - Externally funded activities requiring the use of animal subjects, human subjects, or materials subject to some external regulation (e.g., radiological materials, biohazards, licensed or controlled substances and materials, etc.) and which, as a result, require institutional oversight, monitoring or approval are often considered sponsored projects; however, gift funds are sometimes provided to support institutional research, teaching or demonstration activities involving animals, human subjects or regulated materials. It is the responsibility of a project Principal Investigator, faculty member teaching a course, and/or the Unit Head to ensure that all institutional approvals for the use of animals, humans, controlled substances, or hazardous materials are in place BEFORE any use of such subjects, materials, or funding occurs.

Gifts and Charitable Contributions - A gift is defined as any item of value given to the University by a donor who expects nothing significant of value in return other than recognition and disposition of the gift in accordance with the donor's wishes. In general, a gift has no contractual requirements and no expectation of deliverables or rights in property or data. While there may be restrictions or minimal conditions associated with a gift, generally, there should be no specific period for incurring costs, and there should be no requirement to return unexpended funds. Often donors request periodic reports of activity related to the gift and summary reports of expenditures, but no detailed financial accounting or audit is required. Gifts received into Auburn University directly or through its affiliated foundations are considered public funds and must remain with the University until expended. Under no circumstances are gifts transportable by an individual, program or other unit to another university, agency or entity.

Guidance for properly distinguishing gifts from sponsored projects

Distinctions Based Upon Source or Funds - Any funding provided directly or indirectly by a governmental agency (federal, state, or local) must be accounted for as a sponsored project (i.e., contract or grant fund) although direct federal and state appropriations are typically not processed or approved by the Office of Sponsored Programs.

Distinctions Based Upon Intent of Donor/Sponsor - Corporate funds and funding from foundations or associations can be recorded as gifts or as sponsored projects. In the absence of restrictive conditions and in conjunction with the documented intent of the donor or provider, treatment as a gift might be indicated. In no circumstances should corporate funds be processed as a gift to avoid indirect cost (F&A). The IRS provides tax deductions and other tax benefits to donors and sponsors based upon their purpose in providing the funding to the University. Additionally, the University enjoys a tax exemption based upon receipt of donations made to it and the use of those funds to support our public missions. For gifts, the donor may receive a tax deduction for charitable contributions. In this case, nothing of substantial value may be provided to the donor in exchange for the gift, and unexpended funds are typically not returned. For sponsored projects, receipt of the tax credit by the provider may qualify the project as an exchange transaction.

Distinctions Made by Conditions, Scope of Work, Reporting, etc. - Various conditions outlined in an agreement between Auburn and the funder may indicate treatment as sponsored projects. Within the University, there exists the administrative infrastructure to review, process, and maintain compliance with agreements which contain the terms and conditions addressed. Any external funding arrangements which, by the definitions and guidance provided in the policy and these procedures, are categorized as sponsored projects, should be administered through the existing University infrastructure, regardless of whether received by the University or received through an affiliated foundation.

Change in Classification - In some circumstances, contributions initially classified as gifts may lead to payments by the same provider for similar or dissimilar purposes which should be more appropriately classified as sponsored projects. Departments should take care to monitor such “contributions” and examine related documentation. Just because an initial payment(s) has been classified as a gift does not indicate that future payments should be classified as a gift. Subsequent payments should be analyzed and classified independently.

Administrative Process

Decision Making in Unclear Situations - In some cases, the distinction between a gift and a sponsored project can be difficult to determine. In fact, donors may sometimes use the word “grant” when the donation is intended as a gift or vice versa. When an individual is in doubt about the proper classification and handling of an award to Auburn University, the Office of Sponsored Programs, the College Development Officer, or the Executive Director of Advancement Finance, will assist in determination.

Donor/Sponsor Relationships - In resolving issues related to the classification of an award, Auburn University personnel must maintain an appropriate balance between the interests and preferences of the donor/sponsor and the University’s administrative policies as well as federal regulations. In addition to guidance from the Office of Sponsored Programs or the Advancement Office, it may be necessary to contact the donor/sponsor for clarification of intent and requirements and/or to discuss the planned use of the funds. Such contacts should be made in a coordinated approach with communication between the appropriate parties, (Department, Advancement, Sponsored Programs, Dean, etc.) and handled with care so as not to coerce the donor/sponsor into indicating preference for one classification or the other and to remove potential conflicts of interest.

Banner Fund Establishment - Banner funds are established by the Office of Contracts and Grants Accounting after acceptance of the award by the Office of Sponsored Programs if an award is classified as a sponsored project. If an award is classified as a gift, the Endowment Investment Office establishes a gift fund(s) in the appropriate chart of accounts. Departments charge expenses to either the sponsored program or the gift funds, but in most cases will not record revenues to these funds. Gift deposits should be processed through the Office of Advancement in accordance with the Collections, Contributions and Accounts Receivable policy (*). Sponsored project revenues are received and recorded by the Office of Contracts and Grants Accounting.

Cost Sharing Implications - Auburn University policy and Uniform Guidance (2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) provide strict guidance for determination and management of cost sharing. Cost sharing is that portion of the total project costs that is not paid by the sponsor or donor. Pursuant to sponsor direction, acceptable methods of meeting the cost sharing commitment are Auburn cost sharing (cash), third party cost sharing (cash or in-kind), or forfeited indirect costs. Gift funds may be used as cost share on a sponsored project if the gift’s donor allows. Written verification must be received from the dean that confirms the use of funds for this purpose is consistent with the donor’s intent.

Auburn University Income Classification Checklist - The [Auburn University Income Classification Checklist](#) should be used to determine the proper classification of non-sales and services revenue received through a department. If the Classification Checklist supports the processing as a gift, the form must accompany the check and be processed through the Office of Advancement. If the Classification Checklist indicates Sponsored Program treatment, the income (check) must be processed through the Office of Sponsored Programs, with the Classification Checklist attached to other supporting documentation.

Roles and Responsibilities for Appropriate Classification of Gifts and Sponsored Projects - The faculty member, department head or chair, and dean are charged with knowing and understanding the University policies regarding acceptance of gifts and proper classification of funds received. They are also responsible for obtaining and providing for central review all the documentation related to the funds received, and for appropriately classifying such funds. In addition, monitoring processes should be established at the college or school level to ensure the risks associated with the circumvention of policy are mitigated. Payments received within the units should be periodically analyzed, recurring “gifts” from the same source should be explored, and expenditures should be analyzed in relation to the intent of the “gift”. Central administration, including Development staff, is charged with the oversight of the policies and oversight of the appropriate classification of gifts and sponsored projects. Central monitoring processes should be established to ensure that all documentation is received, and that classification is according to policy. Reviews of revenues, including identification of recurring “gifts” from the same sources, should occur regularly, with follow-up questions to the college or school.

[Frequently Asked Questions](#) which can also be used as a resource in appropriate classification.

Other References

Various Auburn University policies address the handling and recording of funds received from external sources and provide additional guidance as to the appropriate processing. Such policies include:

[Policies for Collections, Contributions and Accounts Receivable](#) – Maintained by the Office of Student Financial Services, section 3 of this policy specifically addresses “Collection and Solicitation of Contributions, Donations and Gifts” handling.

Policies and other information regarding sponsored programs can be found at:

<https://cws.auburn.edu/OVPR/pm/osp/home>