

California Polytechnic State University  
San Luis Obispo

A GUIDE TO THE ADMINISTRATION OF GIFTS, SPONSORED SUPPORT, AND OTHER  
RESOURCES  
ACQUIRED THROUGH EXTERNAL RELATIONSHIPS

Purpose and Background

The University engages in diverse activities related to its mission through private support, sponsorship of projects by external entities, and other resource opportunities involving external relationships. Prudent and efficient management requires that certain principles be applied and characteristics identified in seeking, accepting and managing such varied, and sometimes unique, resources.

This document provides broad guidance on the principles to be applied in properly categorizing and administering gifts, grants, sponsored projects, and other resources acquired through an external relationship. The objective is to provide for effective and consistent management and oversight of externally acquired resources.

Functional Areas Involved

At least three major functional areas of the University are typically involved with University private support and external relationships. Note that each area has a somewhat different interest or mission, approach to securing support, and perspective in administering external resources.

**Gifts Through the Advancement Function:** The advancement function, managed through the University's Advancement Division, is charged with seeking and securing private support for the University through gifts. Major gifts sought from foundations or corporations may involve written solicitations or proposals by the University, and these same donors may frequently refer to their support as "grants." It is not uncommon, therefore, for the term "grant proposal" to be confused with a like term used in other functional areas (e.g. sponsored programs), yet they have important distinguishing features. (See below.)

Similarly, planned or deferred gifts frequently involve a written agreement or other formal instrument that creates terms and conditions for both the donor and the recipient. The contractual aspects of such a gift can be confused with the contractual nature of other external relationships involving support for, or resources acquired by, the University or the Cal Poly Foundation.

**Continuing Education Funding:** Continuing education programs (both for academic credit and non-credit), workshops, seminars, short courses, and conferencing activities are broad functional areas administered through Cal Poly Continuing Education. These activities are self-supporting

and funding is usually achieved through a user, licensing or registration fee, but may also be provided through a contract with a sponsoring agency. Written agreements or like instruments confirm the relationship with either the student or the client-entity.

**Sponsored Project Support (Grants, Contracts, Cooperative Agreements and Payment-for-Service Arrangements):** Research, public service and instructionally-related projects, professional development activities and other faculty-initiated endeavors requiring externally sponsored support, is a functional area administered jointly by the University's Grants Development Office (pre-award activities) and the Foundation's Sponsored Programs Department (post-award activities). Such activities normally require a formal proposal that is reviewed and approved by the University prior to submission to the sponsor. Typically the sponsor will have a formal award process that may include negotiation of terms and conditions of an award and a written agreement between the Foundation and the sponsor. Sponsors may be governmental agencies (federal, state, local), private foundations and other non-profits, and commercial entities.

Recently, the University and Foundation established a mechanism to facilitate contractual relationships in which standardized services (testing, analysis, etc.) are provided to multiple sponsors ("clients"). These payment-for-service arrangements involve a memorandum of understanding between the service provider (faculty) and the University, that allows approved services to be provided and billed to clients in a simplified and efficient manner. The memorandum of understanding is developed with the assistance of the Grants Development Office and administered through the Sponsored Programs Department.

At times, grants, contracts and cooperative agreements may be administered by the University without Foundation involvement, for example when a sponsor makes this a condition of the award. Projects of this type should still originate in the Grants Development Office, which will channel the proposal to the appropriate University office for processing.

**Hybrid Projects:** On occasion, a sponsor/donor may wish to enter into an agreement with the University that contains elements of more than one type of funding. For example, a corporation may choose to support a research activity by providing an endowed professorship, as well as a research contract. In such cases, the different types of funding should be distinguished and administered separately by the appropriate functional areas. In the example given, the endowed professorship would be administered as a gift by University Advancement and the research contract would be administered as a sponsored project.

**Other:** Aside from the administrative units described above, only the University's Office of Contract and Procurement Services may enter into official agreements with and receive resources (cash or in-kind) from external entities. Departments and individual University faculty and staff are not authorized to do so.

### Principles and Characteristics of Externally Acquired Resources

The following principles and characteristics apply to, and should be used to distinguish among,

the many sources of University support, project sponsorship and other acquired resources stemming from external relationships, so that the resources can be channeled to and administered by the appropriate organizational unit.

Gift or Donation - Generally, a voluntary, irrevocable, transfer of property by a donor to a charitable/non-profit organization, for example, a university (recipient). The property must be delivered to and accepted by the recipient. The transfer must not have been made for 'consideration', that is, nothing of beneficial value returns to the donor, save the joy of giving and any tax advantage gained. Furthermore, a gift involves no other contractual requirements, written or oral. The term "gift" is synonymous with "donation" or "charitable contribution," although there are technical income tax requirements for a gift to be a deductible charitable contribution. Some gifts may be designated for a particular purpose or unique activities of the recipient, and, if accepted, these become restrictions on how the gift may be used. A gift may be made based upon a solicitation or proposal in which the charitable organization describes how the gift funds would be utilized. Corporate and private foundation gifts are commonly called "grants."

Funding of this type will be solicited, accepted, and overseen by University Advancement. Foundation 'gift' accounts are established when funds received from outside sources are designated for unrestricted use and are free of the constraints or obligations of sponsored projects, as described above. Gifts will usually not require financial or technical reporting by the University or Foundation.

User, Licensing or Registration Fees – Fees charged to a person or organization in exchange for participation in a specialized educational activity offered by the University through Cal Poly Continuing Education. Similarly, fees are charged for the use of University facilities and services for such educational activities, including courses, workshops and conferences sponsored by non-University agents.

Funding of this type is typically handled by Cal Poly Continuing Education, which includes Conference Services.

Grant - An appropriate formal written agreement between a public agency, commercial entity or private foundation (grantor) and a recipient organization (grantee) establishing a relationship that transfers to the grantee funds, property, or services to accomplish a public purpose, without substantial involvement of the grantor during performance of the contemplated grant activity but with the expectation of results or benefits of some kind for the sponsor. A grant involves an obligation between the parties. In contrast, a gift does not, although a gift recipient is legally obligated to follow gift restrictions, and, in the case of non-cash gifts, a formal deed document may be used to substantiate the nature and extent of the gift.

A grant is usually preceded by a formal proposal to the grantor. A negotiation process follows, and the grant award is usually made when a written instrument has been executed. For smaller amounts, the agreement may simply be an award letter from the grantor to the grantee referencing the proposal, any negotiated features at variance with the proposal, and the award

amount and disbursement terms. For larger amounts, the proposal will include a detailed work plan and the sponsor will have the expectation that the work will be completed as outlined. The sponsor will usually require reports of results, in varying detail, and restrictions will often be placed on categories and amounts of expenditures.

Grant funds are sought, accepted, administered and overseen by the Grants Development Office and the Sponsored Programs Department.

**Contract/Cooperative Agreement** - Generally, an appropriate agreement used for a relationship between a public agency, corporation or individual (sponsor) and a recipient organization (contracting entity), the terms of which detail performance as well as fiscal and reporting requirements. If the principal purpose of the relationship is to acquire by purchase, lease or barter, property or services for the direct benefit or use of the sponsor, the sponsored agreement is in the nature of a procurement. If the principal purpose of the relationship is the transfer of funds, property, or services from the sponsor to the recipient to accomplish a public purpose, and substantial involvement of the sponsor is contemplated under the terms of the instrument, the sponsored agreement is termed a cooperative agreement.

Resources acquired through contracts and cooperative agreements are sought, accepted, administered and overseen principally by the Grants Development Office and the Sponsored Programs Department, and occasionally through the University's Contract and Procurement Services Office.

**Payment-for-Service Arrangement** (a variation of a contract or cooperative agreement) - As noted above, payment-for-service arrangements provide a mechanism to facilitate special contractual relationships between the University/Foundation and external individuals or entities. They are used when standardized services (testing, analysis, etc.) are provided to multiple sponsors ("clients"). A memorandum of understanding is developed between the service provider (faculty) and the University, by means of which the University approves the services to be provided and addresses other aspects of the contractual relationship. The memorandum of understanding is developed with the assistance of the Grants Development Office, similar to the development of a more traditional grant/contract proposal, and is approved by appropriate University management. It is reviewed annually. Modifications in the services offered must receive prior approval. Once approved, the MOU allows the director of the activity (faculty) to interact directly with the clients in a simplified and efficient manner. The activity is administered through the Sponsored Programs Department.

#### Criteria for Distinguishing Grants, Contracts and Cooperative Agreements from Gifts

Grants, contracts and cooperative agreements are established when funds are awarded to the University/Foundation by external sources in support of research, instructionally related activities, training, or service, under an agreement that includes any one of the following:

- The award instrument is an agreement that binds the University/Foundation to a set of terms and conditions and requires endorsement.

- The agreement obligates the investigator to a line of scholarly or scientific inquiry that typically follows a plan, provides for orderly testing or evaluation, or seeks to meet stated performance goals.
- The agreement establishes an understanding of how funds will be used or includes a line item budget that identifies expenses by activity, function, or project period.
- 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 creates an obligation to report project results or dispose of tangible or intangible properties resulting from the project. Examples of tangible properties include equipment, records, technical reports, theses, or dissertations. Intangible properties include rights in data, copyrights or inventions (intellectual property).
- The agreement seeks considerations such as indemnification or imposes other terms that require legal accountability.

According to CSU and University policy, sponsored projects, whether administered by the University or the Foundation, must recover full indirect costs, whether identified in the award or not, unless the funding agency has a written policy that precludes such recovery and the University has accepted the award with this restriction. The applied indirect cost rate will be consistent with University policy. The University's indirect cost rate is negotiated periodically (usually every three years) with the federal government based on documented costs, and is uniformly applied to all sponsors except as described above.

#### Inter-function Coordination and Resolution

While these guidelines and criteria help distinguish among different types and sources of external funding and resources, and provide guidance in directing the administration of particular external relationships to the appropriate administrative unit, uncertainty may still arise in classifying an activity. In such cases, there should be maximum coordination among functional areas early in the prospective relationship/resource development process, so as to identify the appropriate administrative process for the activity.

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