FAS and SEAS Policy on Assessments on Current Use Gifts and Sponsored Awards

Policy Statement and Reason for Policy

The Faculty of Arts and Sciences (FAS) and the John A. Paulson School of Engineering and Applied Sciences (SEAS) provide substantial academic facilities, including laboratories, libraries and information technologies, administrative support, and other resources that enable faculty to engage in innovative research and incomparable scholarly activities. The cost of providing the staffing and infrastructure necessary to support the programmatic activities of our faculty is borne largely by the FAS and SEAS; thus, it is critical that FAS and SEAS receive reimbursement for some portion of indirect ("IDC," but also can be termed “overhead” or "Facilities and Administration/F&A") costs incurred when activities are funded by gifts and sponsored awards. When an external entity does not pay for some or all overhead costs associated with the activity it is funding, the FAS and SEAS pay for these costs, with the result that funds must be diverted from other institutional priorities.

Charging assessments on gifts and allocating IDC on grants enable FAS and SEAS to recoup a portion of the overhead costs associated with externally funded activities and the reimbursement of these costs provides FAS and SEAS with a source of revenue to reinvest in its infrastructure, which, in turn, supports the academic pursuits of our faculty. Therefore, this policy sets forth the expectation that all current-use gifts and non-federal sponsored awards\(^1\) made to FAS and SEAS, consistent with university policy, must include a minimum 15% assessment. Approved exceptions to this expectation are listed below.

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\(^1\) On sponsored awards, all federal and industry sponsors are expected to pay the federal negotiated F&A rates. This policy is designed to address only sponsored awards from non-federal entities, both foreign and domestic, excluding industry sponsored research agreements.
Who Must Comply

All faculty and administrators within Harvard University Faculty of Arts & Sciences tubs, divisions, and departments and School of Engineering and Applied Science areas who receive or manage funding from non-federal gifts and grants.

Background

Harvard’s internal classification of funds received from external entities as a gift or sponsored award should not be a factor in determining the amount of FAS or SEAS assessment; rather, this decision is based on other factors, including the purpose of the funding and requirements of the donor or sponsor. Similarly, the opinion of the donor or sponsor as to whether funding provided to Harvard is classified by the university as a gift or sponsored award has no bearing on Harvard’s assessment.

Roles and Responsibilities

Alumni and Donor Services (ADS) is responsible for ensuring that gifts are not accepted on behalf of the University with terms that prohibit assessments. In addition, ADS will bring such gifts to the attention of the FAS Office of Finance or SEAS Office for resolution.

The Office for Sponsored Programs (OSP) is responsible for ensuring that grants/awards are not accepted on behalf of the FAS with terms that prohibit IDC assessments. OSP will bring such awards to the attention of FAS Research Administration for resolution.

FAS Development is responsible for communicating with donors and educating them on the FAS or SEAS assessment policy.

FAS Research Administration Services (RAS) is responsible for ensuring that all parties are aware of the policy and processes for grant/awards. In the case of
sponsor waiver requests, Research Administration will work with FAS Departments or SEAS areas on options as identified in this policy.

**FAS Office of Finance / SEAS Office of Accounting** is responsible for ensuring that all parties are aware of the policy and processes for gift assessments. In the case of waiver requests for gifts, these offices will facilitate any request with the appropriate Deans, school development offices and Alumni and Donor Services (ADS).

**FAS Departments / SEAS Areas** are responsible for communicating this policy to faculty and administrators who solicit or receive gifts, grants, and awards under this policy and for ensuring gift or grant proposals include the relevant school assessment or indirect cost.

### Procedures for Implementing this Policy

**Assessment on Current Use Gifts and Sponsored Awards**

**Ordinarily, all restricted current-use gifts** and non-federal sponsored awards to the FAS or SEAS must include a minimum 15% assessment/IDC. If the non-federal entity offers a rate that exceeds 15%, that will be the rate accepted by FAS or SEAS. FAS or SEAS may not accept gifts or sponsored funds that prohibit assessments/IDC except in certain instances described below.

**Categorical Waivers:** Assessments are categorically waived on the following classes of funds: Financial aid, or other student support; grants for construction;

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2 Current-Use gifts are defined as donations that may be spent down in their entirety. Like endowment gifts, current use gifts can either be unrestricted or restricted. An unrestricted gift may be used for the general purposes of the tub in which it is established, while restricted gifts are limited by the donor for a particular, defined purpose.

3 FAS and SEAS gift assessments consider financial activity on object codes 6000-8999, excluding student aid charges in object codes 6140, 6401-6449, 6460, 6461, 6490, and object 8922.

4 Examples of “other student support” include fellowships and other stipend-providing mechanisms made to the University to support undergraduate and graduate students.
grants for equipment and instrumentation; assessments that are limited or prohibited by law or other governmental restriction.

Of further note, it is recognized by FAS/SEAS that postdoctoral fellowships, early career awards\(^5\), and sabbatical fellowships normally have a specific limit to assessments or indirect cost rate. FAS/SEAS will recognize any assessment/IDC limits to such awards, and does not need further action, such as a waiver or direct charge of other costs.

**Direct-charging:** In situations where donors or sponsors have stated ceilings on IDC that are less than the FAS or SEAS minimum assessment/IDC of 15%, acceptance of funding is contingent on the assessment or IDC being recovered in one of the following ways:

1) Direct-charging to the restricted current-use gift or non-federal grant in question of an equivalent amount of faculty academic year salary and benefits that would have otherwise been funded from central sources (e.g., endowment). The amount of such direct charging should result in the difference between sponsor-paid IDC or donor-funded assessment amount and the 15% minimum assessment/IDC.

2) Direct-charging to the restricted current-use gift or non-federal grant in question of costs attributable to the sponsored activity that normally would have been charged to FAS or SEAS central unrestricted sources.\(^6\) As above, the amount of such direct charging must equal the amount of gift assessment or indirect costs foregone.

3) The principal investigator funds the assessment or IDC from discretionary sources.

**IDC/Assessment Waiver Request** In the rare instances when none of these options may be used to meet the requirements of this policy, the Principal Investigator may

\(^5\) Early career awards are defined as awards with the primary purpose of providing support for early stage faculty levels.

\(^6\) Examples of such costs are administrative salary, office supplies, postage and printing costs, rent, renovation costs, etc.
request a subsidy from the applicable Dean in order to account for the shortfall in meeting the minimum IDC/Assessment (i.e., a “waiver”). In the case of grant funds, the waiver request must be approved by the relevant school dean, i.e., Dean of the FAS or Dean of SEAS. For gift funds, approval by the University Gift Policy Committee is required.

**School-Level Contacts**

**For FAS:**
Questions related to assessments on current-use gifts, including a waiver request, should be directed to Jay Herlihy, Associate Dean for Finance, (617) 384-7333, or by email at jherlihy@harvard.edu.

Questions related to assessments of F&A costs on sponsored awards should be directed to Patrick Fitzgerald, FAS Associate Dean for Research Administration, (617) 495-4083 or by email at pwf@fas.harvard.edu.

IDC waiver requests on sponsored awards should be sent from the FAS PI of the proposed award directly to the FAS Dean (Michael Smith) by email at fasdean@fas.harvard.edu with a cc to Pat Fitzgerald (pwf@fas.harvard.edu).

**For SEAS:**
Questions related to assessments on current-use gifts, including a waiver request, should be directed to Tim Fater, SEAS Controller, (617) 495-5803, or by email at tfater@seas.harvard.edu.

Questions related to assessments of F&A costs on sponsored awards, including a waiver request, should be directed to Pam Baker-Webber, SEAS Senior Sponsored Research Officer, (617) 495-1634 or by email at bakerwebber@fas.harvard.edu.

IDC waiver requests on sponsored awards should be sent from the SEAS PI of the proposed award directly to the SEAS Dean (Frank Doyle) by email at seasdean@seas.harvard.edu with a cc to Pam Baker-Webber (bakerwebber@fas.harvard.edu).
Additional Resources

University Gift Policy

Statement of Harvard University Principles for the Application of Indirect Costs to Non-federal Sponsored Awards