

HARVARD UNIVERSITY



Establishing an Internal Grant-Making Program

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Responsible Office: Office for Sponsored Programs

Guidance Statement

All University funds must be managed in accordance with applicable federal, state and local laws regardless of the source of funding. In some cases, a donor will provide funds to support a specific area of inquiry rather than a particular project or faculty member. In these cases, the donor or sponsor allows the University to determine how to distribute the funds so long as their use aligns with the donor or sponsor's request. In some cases, these funds are relatively small in amount and may support only one research project. In other cases, funds are significant and are intended to support multiple research projects over a number of years. In these instances, the University is expected to select the faculty members whose projects will be funded through an application process, also sometimes referred to as an internal competitive peer review process, which will be established and managed internally by the University at its sole discretion.

Projects which have been selected and funded by means of an internal competitive peer review process are called internal grants. It is important to distinguish internal grants from externally funded grants. Externally funded grants are called sponsored awards and funds are received in support of a specific project conducted by a particular faculty member after a proposal or application has been submitted to the sponsor. Proposals typically include an itemized budget and justification and a specific scope of work. Sponsored awards are also accompanied by terms and conditions which reference the project and scope of work to be completed. Sponsored awards are submitted and accepted through the University's submitting offices (the Office for Sponsored Programs, HMS Sponsored Programs Administration and HSPH Sponsored Programs Administration) and managed by the faculty member with support from department administrators and school research offices as needed. Externally funded sponsored awards must be managed in compliance with all regulations, relevant University policies, and in accordance with the terms negotiated with the sponsor.

Internal grants are subject to many of the same compliance requirements which govern grants supported by external funding, e.g., rules governing the use of human subjects and the care and use of animals in research.

Reason for Guidance

The purpose of this document is to guide the establishment and oversight of internal grant programs funded by donor gifts or grants specifically in support of a particular area of inquiry or specific aims. The guidance applies to situations where a competitive selection process will be used to select award recipients and the terms of the award are memorialized in an award letter. This guidance does not apply to discretionary institutional funds which are distributed within schools to faculty where there is no competitive selection process. Additionally, this guidance does not extend to funds which are received as an externally sponsored award by an investigator where a portion of the research is being undertaken in another department at the University (more formally known as “part of accounts”).

Applicability

This guidance is recommended for use by all administrators who create and manage internal grant making programs at the University. Investigators and their grants administrators should also refer to this guidance.

Program Elements for Internal Grants

The procedural considerations outlined below assume that either a gift agreement has been finalized between a donor and the University or that a sponsor has entered into a specific arrangement with the University, often by way of a Memorandum of Understanding (an MOU) to provide funds in support of a specific purpose. In both cases, the agreement or MOU describes the funds that are being received and the area of inquiry or aims which will be supported by the accompanying funds. The agreement or MOU does not specify a project or investigator who will be supported.

When negotiating large gifts or grants that will fund internal grant programs, development staff and others involved in the negotiation of terms should endeavor, whenever possible, to make sure that

restrictions around the use of unspent funds, if any, are minimal. In clearly addressing this issue in the agreement or MOU, and all resulting correspondence related to the use of funds in internal award documents, potential challenges connected to the handling of unspent funds will be eliminated. Additionally, the agreements should not include restrictive intellectual property language. Where possible, all funds should be received upon signing of the agreement. In cases where funds will be received incrementally, the resulting internal award document should reflect such terms in the disbursement of funds schedule.

Many elements should be considered when establishing a program that will issue and oversee internal grants. Depending on the particular circumstances of each program, the structure of the program may differ. Following are some of the important considerations and elements which can help guide the creation of an internal grant making program. For ease of reference, the elements and considerations are categorized according to the life cycle of the program, including the process by which funding is announced, issued, awarded and managed.

Program Set-Up

Among the elements to consider in establishing a program aimed at issuing and overseeing internal grants are the following:

Application Process

The process by which grants will be made is an important consideration for a grant making program to assess. The process should be objective and should allow for transparency. Clear documentation of the process should be readily available for potential grantees. Additionally, consideration should be given to the types of approvals which will be required in support of all applications, for example, should there be a signature from a school level official which supports the application since research projects will take place in University space.

Application Criteria

In establishing a program, the criteria upon which applications will be assessed, as well as clarity about any eligibility requirements, should be documented and available to both reviewers and applicants

Competitive Peer Review Committee

A grant making program should establish an application process that is fair and objective and which makes decisions to award grants based on the published application criteria. The effectiveness of the committee will be compromised if the committee acts subjectively or makes decisions based on conflicting interests. Reviewers who are selected to serve on this committee should typically serve for a defined term, although it may also be prudent to select reviewers once applications have been received in order to select reviewers who are most familiar with the science in question. If the latter is the case, application materials should clearly state how reviewers are selected.

Facilities and Administrative (F & A)

There are facilities and administrative costs associated with managing a program, including salaries, rent and other administrative costs. These costs are associated with overseeing a program and ensuring that compliance with relevant laws and University policies is achieved. Additionally, costs can be incurred by the local units charged with managing spending once an award is made. Program Administrators should work with Harvard's Central Administration and school Finance deans to determine how F & A costs will be charged for their program. All decisions should follow appropriate University rules. Once determined, the rate should be publicly available and will be included with the funds released to the grantee.

Review of the Gift Agreement/MOU

All parties charged with establishing and managing a grant making program should familiarize themselves with the original terms and conditions of the gift or grant which funds the grant making program to fully understand the expectations and obligations that must be met. For example, if there are reporting requirements to the donor around the number and amount of awards made, as well as the activities and outcomes of the award, then it will be important to make sure that grantees provide this information regularly.

Grant-Making

The following elements should be considered when evaluating how grants will be made:

Request for Proposals

A request for proposals (RFP) is a document which invites faculty to submit applications for review by a selection committee. The RFP should announce the program, the due date for proposals, the number of grants to be awarded, any relevant eligibility requirements for investigators, the period of performance that will be used, the way in which funds will be disbursed and any other relevant information. A sample RFP is available below.

Applications

Each program should specify the application process and criteria for success at the time the program is established and both should be documented and readily available for review. At a minimum, the application should include biographical information about the investigator, proof of eligibility to apply for the award, a research plan or statement of work and a budget and justification outlining the costs associated with completing the scope of work. Current fringe rates should also be included. Further, applications should require that contact information for the investigator's department administrator/grant manager be provided as this information will be helpful in ensuring that funds are transferred efficiently and that all compliance requirements are met.

Budgets

Budgets should be required for applicants. It is important that any program has budget guidelines for applicants that follow the University's policies and procedures. In some cases, it may be appropriate to direct charge costs typically covered by F & A. Guidance should be sought from school finance deans and Harvard's central administration to fully understand costs that may be charged directly. Further, sign-off should be obtained by an appropriate school level official indicating that the school supports the budget that is being proposed. Budgets are also useful for tracking spending at both the grantee and the program level, as well as for reporting back to the donor. In addition, budgets are tools that convey progress of a grantee insofar as low spending rates may indicate a lack of activity.

Monitoring

Grantors should monitor spending to make sure that recipients are spending in line with their proposed budgets and to ensure that funds are not being misused. Monthly reports to monitor spending should be scheduled and reviewed and follow up with the recipient should occur as needed. If it appears likely that the recipient is spending too quickly, a meeting with the investigator and/or investigator may be warranted. Alternatively, if spending is too slow and progress against project objectives does not appear likely, follow-up is also recommended. Program managers should seek advice from their school finance offices as needed.

Re-Budgeting

Occasionally, there may be a need to revise the original budget in order to complete the scope work. It may be appropriate to allow grantees to re-budget funds within a specified threshold without approval from the grantor. For example, if there is a need to move funds within budget categories that falls within 10% of the proposed budget, the grantor may deem this acceptable and allow a grantee to do so. In such situations, the award terms should clearly state that re-budgeting is allowable without prior approval. Alternatively, a grantor may determine that all re-budgeting is allowable only with prior approval and if this is the case, then the award terms should be clear in this regard.

Authorized Signatory

The internal grant making program should designate appropriate individual(s) who should sign all award letters. Typically, this role should be filled by a Faculty Director, if one exists and/or the lead administrator in charge of running the program.

Award Terms and Conditions

When the decision to fund a project has been made, all terms and conditions should be documented in writing. Terms and conditions should clearly outline the project being funded, the investigator's name and home department, as well as contact information for the investigator's grant manager or department administrator, period of performance, dollars being awarded and any conditions which may apply, e.g., requirements about re-budgeting. Additional relevant information around progress and/or

the use of grant funds should also be included, as well as any other obligations the grantee is expected to fulfill. The terms should also provide clarity as to whether extensions will be approved should there be remaining funds at the end of the period of performance in cases where the project has not been completed. A sample Award Letter is available below.

Intellectual Property

The University's [Statement of Policy in Regard to Intellectual Property](#) (or "IP Policy") governs the ownership and handling of discoveries or works made through the use of funds, facilities and resources provided by or through Harvard. Creations arising from the internal grant program are subject to the University IP Policy. To ensure that recipients comply with the University IP Policy, internal grant programs should make sure that the investigator has already signed the Participation Agreement ("PA"). Funds should not be transferred if the PA has not been signed. Questions about the signed PA should be raised with the investigator's administrator or the appropriate central sponsored submitting office.

Patentable Inventions

For information and/or advice on inventions, grantors/grantees should contact the Office of Technology Development ("OTD").

Conferences/Websites

If the sponsoring program intends to highlight the project activities on its website, there should be some mention of this in the terms and conditions associated with the awarded funds. Additionally, any other requirements around conference presentations should also be included.

Financial Management/Oversight

The following should be considered in determining how to manage internal grants:

Security/Access to Funds

In order to allow for the effective financial management and oversight of internal awards, program administrators must have the appropriate access to the University's financial systems. This access should

allow for wide cross tub viewing of all activity on the program's funds involved in the internal grants process. This access is granted to employees by their tub's authorized requestors (AR) based upon procedures specific to each tub. Program administrators should follow up with their school's central finance office to determine their school's policies and procedures on gaining system access.

Unspent Funds

Before issuing an internal grant, program administrators should fully understand how unspent funds must be treated once all work is completed and the grant is ready for close-out. According to University policy surrounding gift and endowment funds, unspent dollars on an internal grant should generally be returned to the internal grant program and not spent for other purposes. Program administrators should refer to the agreement or Memorandum of Understanding (MOA) for guidance when funding is provided by a sponsor.

Disbursement of Funds

The timing of the disbursement of funds for an internally awarded grant is dependent upon the award period. In cases where the award crosses fiscal years the amount of income disbursed to the grantee in a given fiscal year should not exceed the total of the expenses incurred in that year to comply with generally accepted accounting policy (GAAP) rules. The disbursement of funds for awards granted for one fiscal year is at the discretion of the program.

Accounting for Income and Expense

When transferring funds from one part of Harvard to another, as with internal grant-making, the transfer must not increase total University income or expenses, nor misstate the operating result of any University unit. See the [Internal Transfers](#), [Revenue Recognition](#), and [Expense Recognition](#) Policies for more information.

Approvals

Recipients of internal grants are expected to comply with all applicable regulations, (e.g., human subjects) and all relevant University policies. To ensure compliance, it is recommended that the internal

grant program administrators familiarize themselves with all relevant policies and seek proof of compliance before disbursement of funds. Consideration should also be given as to the sign-offs which are required, namely, whether school or institutional signatures should accompany approvals.

No-cost Extensions

Program Administrators should determine whether no-cost extensions will be allowed and the process by which they should be requested. A one-year extension period may be reasonable but the determination as to the duration should be made by the program.

Contacts & Subject Matter Experts

School Finance Offices

- [Office for Sponsored Programs](#)
- [Office of Technology Development](#)
- [Office of Financial Strategy and Planning](#)
- [Office of the Controller](#)

Related Policies

- [Internal Transfers Policy](#)
- [Revenue Recognition Policy](#)
- [Expense Recognition Policy](#)
- [Restricted Fund Spending Compliance Policy](#)

Sample Documents (HarvardKey Login Required)

- [Sample Award Letter](#)
- [Sample Request for Proposals](#)
- [Sample Memorandum of Understanding](#)
- [Sample Operating Agreement](#)