

HARVARD

UNIVERSITY POLICY



Establishing and Overseeing Harvard Non-Sponsored Funded Award Programs

Originally Issued: July 1, 2024 (to be implemented for awards issued on or after January 1, 2025)
Last Revised: N/A
Responsible Office: Financial Accounting and Reporting

Policy Statement

This policy replaces the Office for Sponsored Programs' guidance "Establishing an Internal Grant-Making Program," issued July 1, 2014, for grant-making programs funded by Harvard non-sponsored funds.

Harvard Non-Sponsored Funded Award Programs require careful management and oversight to ensure compliance with all applicable policies, laws, and regulations and consistency with donor intent, if applicable. All University funds must be managed following applicable University policies and federal, state and local laws and regulations regardless of the source of funding.

Harvard Non-Sponsored Funded Awards are awards given to projects selected for funding through a formalized application and review process and are funded using non-sponsored funds. Non-sponsored funds include unrestricted undesignated funds (000001), unrestricted designated funds (002000-054999), restricted current use gifts (302000-389999), and restricted endowments (430000-689999). As a point of emphasis, this policy **does not** extend to sponsored funds (i.e., funds within the 100000-299999 range).

Reason for Policy

The purpose of this policy is to set standards around the establishment and oversight of Harvard Non-Sponsored Funded Award Programs. This policy applies where a competitive selection process will be used to select award recipients to be funded using non-sponsored funds. This policy does not apply to institutional funds, start-up funds, or other programs that do not base funding decisions on a competitive selection process.

Funding provided directly to an individual (e.g., most non-qualified/taxable awards such as prizes/fellowships/travel grants processed using object code 6460 (Other Grants + Amounts Paid to Students)) is also excluded from the scope of this policy.

Who Must Comply

All Harvard University schools, tubs, local units, affiliate institutions, allied institutions, and University-wide initiatives must comply.

If a provision of this policy conflicts with any other University policy, term, external regulation, or law, the more restrictive provision will apply. Moreover, the University (Policy owner) may apply, modify, and/or deviate from this Policy as it deems appropriate.

Harvard University schools, tubs, and local units may have related local policies as long as they are consistent with and meet the minimum standards set by University policies.

Responsibilities

Awardee/Recipient: Submit required information/documentation with proposal package, perform project and administer award funds in compliance with the terms of the award letter/agreement, maintain any ethical approvals required to perform the project and submits all reports as required by the Non-Sponsored Funded Award Program.

Non-Sponsored Funded Award Program: Establish and maintain processes to select, award, and monitor individual Non-Sponsored Funded Awards issued by the program.

Fund Owner: Monitor that Non-Sponsored Funded Award Programs comply with the terms of the funds. Generally, the Non-Sponsored Funded Award Program Owner and Fund Owner are the same.

Local School or Unit Finance Offices: Advise Non-Sponsored Funded Award Program and Awardees/Recipients on relevant financial policies and/or accounting considerations as needed.

Negotiating Offices (Office for Sponsored Programs, Harvard Medical School Office of Research Administration, Harvard T H Chan School for Public Health Office of Research Administration): Maintain general award agreement templates and consult on specific agreement issues as necessary.

Procedures

I. Setting Up/Creating an Award Program

Before establishing a Non-Sponsored Funded Award Program, the Fund Owner must confirm that establishing the Non-Sponsored Funded Award Program is consistent with the terms of the funds being used (e.g., restricted current use gift or endowment terms or the purpose of the unrestricted undesignated (UU) or unrestricted designated (UD) funds), consulting with local school or unit Finance Office as necessary. If a school or unit is working with a donor on new funds, schools and units should work closely with their development office on developing fund terms that will allow use for new and/or existing award programs.

The Non-Sponsored Funded Award Program must develop a Request for Proposals (RFP) that clearly outlines the instructions to complete the application and deliverables, including the application process, eligibility criteria, and any special terms regarding assessments (internal awardee) or indirect cost rates (external awardee) or other specialized award terms, set proposal review criteria, and identify and convene a review committee.

Start-up funds or other funds where the funding decision is not based on submission of a formal proposal request are not considered Non-Sponsored Funded Awards. For example, if, at the time of hire, a new faculty member is given start-up funds or negotiates an agreement to receive \$5,000 per year for their own research, that is not considered a Non-Sponsored Funded Award.

A. Setting Up an Award

When issuing a Non-Sponsored Funded Award, the Fund/Program Owner must issue an award letter or agreement that clearly articulates all the terms and conditions to which the Awardee/Recipient must comply. Award letter/agreement terms and conditions may vary based on whether awardees are internal or external to Harvard. The terms for external awardees, both affiliates and non-affiliates, must be compliant with all policies.

B. Award Terms

Key terms which should be included in an award letter/agreement include, as applicable, deliverable requirements and schedule, compliance considerations, budget restrictions, effort expectations, information on payment terms, assessments or indirect costs (IDCs), interest earned, responsibilities regarding timely resolution of under/overspent funds, and requests for changes to prior terms or criteria, such as no-cost extension requests. If the Awardee is external or based outside the U.S., additional terms should be added based on the particulars of the award.

Language regarding compliance with all relevant University policies, including, but not limited to, the Intellectual Property Policy, Restricted Fund Spending Compliance Policy, Internal Transfers Policy, and Travel and Business Expense Reimbursements Policy, should also be included.

Award Programs should be clear on whether they are willing to issue awards to external recipients and determine eligibility criteria accordingly. Not all awardee recipients/PIs who have an affiliation with Harvard are employed by Harvard or perform their professional activities at Harvard. If the awardee performs their professional activities and incurs the corresponding expenses at an entity other than Harvard, the award is considered an external award, regardless of whether there is an active affiliation with Harvard.

When awarding unrestricted/ unrestricted (UU) or unrestricted /designated (UD) funds to an external funding recipient, it is possible that the award could meet the definition of a charitable contribution to a qualifying 501(c)3 recipient. Consult Financial Accounting and Reporting to confirm appropriate classification where an award is made in support of a non-profit organization's mission with an aim to address broader social, environmental or community needs.

C. Assessments / Indirect Costs

Assessments on Internal Awards

1. Restricted Endowment funded internal awards cannot be assessed an additional assessment since assessments are taken at the tub level by the fund owner as part of the Treasurer's Distribution process.

However, it is recommended that the Fund Owner and Awardee negotiate for a portion of the Academic Endowment Assessment (AEA) to be transferred to the Awardee within a UU/UD fund. Any transfer of the AEA would be done using unrestricted funds and should be agreed upon and explicitly outlined in the award letter.

2. Restricted Current use gift funds may be assessed at up to 20 percent of **all expenditures** to cover overhead costs. Assessment rates cannot exceed any University-issued thresholds for gift assessments.

Discretion is given to each school or unit to establish local gift assessment practices, including the assessment rate (between 0 and 20 percent) and exemptions by fund class.

The percentage applied must be consistent across all restricted current-use gift funds by school or unit; however, an entire class of funds (e.g., financial aid) may be exempted from the assessment. **Individual funds may not be exempted** unless specifically documented in the fund terms. Refer to the Alumni Development Services (ADS) [University Gift Policy](#).

The awardee will apply their local assessment rate, based on the class of the fund, to the internal award gift fund. This assessment will be retained by the awardee's tub. It is not made available to the awardee.

Where an explicit donor requirement exists (i.e., in the fund terms) limiting the assessment rate, the award letter must stipulate this limit, and the awardee cannot charge a gift assessment rate in excess of those outlined in the fund terms.

3. Unrestricted Designated (UD) funds

Some schools/units assess UD funds, similar to the current use gift assessment.

It is allowable for the Fund Owner and Awardee to negotiate for the inclusion of an assessment on a UD fund, if it is in the normal practice of the awardee's tub. Any allowance for a UD assessment should be agreed upon and explicitly outlined in the award terms/letter.

External Award Indirect Costs

Indirect cost rates, along with all direct costs, charged by an external (i.e., nonconsolidated) awardee are considered direct costs to the University. It is at the fund owner's discretion on external awards as to whether indirect costs will be allowable and/or if they will be limited. All costs associated with external awards, both direct and indirect to the awardee, must be charged to object code 8310 (Non-Sponsored Funded External Awards + Collaborations). See [Funding External Award Recipients](#).

Schools/units may decide to exclude object code 8310 from their tub's gift assessment calculation, however this exclusion must be applied consistently across ALL funds, i.e., not only for select funds/external awards.

D. Interest Income and/or Expense

1. All funds within a tub with a surplus balance receive interest income on that fund. Unless otherwise documented in the award letter, interest earned during the award period on any surplus funding belongs to the fund owner.
2. Interest charged on deficit fund balances are incurred by the awardee and such interest charges cannot be transferred.
3. The award letter should include terms concerning timely removal of costs exceeding the award amount and a reasonable timeframe to remove those costs. The award letter may also specify a coding string that the Award Program owner can utilize if the Awardee has not cleared the over expenditure within the specified timeframe.

E. Funding an Award

1. Internal Award Recipients

Both unrestricted and restricted funding must be transferred from the Award Program Owner to the Awardee using an income transfer object code within the original fund. This requires the Awardee to request cross-validation through their Authorized Requestor to allow the Awardee to charge expenses directly to the fund. The Award Program should send a copy of their Authorized Requestor's authorization with the award letter to streamline this process.

Awards made on restricted funds must be allowable based on the terms of the fund and must be spent directly from the fund. The Fund Owner is responsible for ensuring that the intended use by the Awardee, as described in the approved proposal, is allowable and in accordance with fund terms, which should be clearly communicated to the Awardee.

The Award Program Owner must follow processes for journaling internal awards and monitoring expenditures against the budget. The award terms must include the funding mechanism and any particulars on the funding schedule.

2. External Award Recipients

Harvard has a policy to send external payments based on a cost reimbursement basis (i.e., pay awardee only after expense goods and services have been received). The Award Agreement must include language around the billing reimbursement schedule and documentation requirements.

In rare instances, external awards may require advance payments due to funding gaps. Payment in advance presents a risk to the University that the promised goods or services may not be received, and Harvard would be unable to recoup the advanced funds. These payments require approval from the school or unit's Financial Dean or designee and must be treated as a prepayment using object code 0540 (Prepaid Expenses). See Section [Pre-Payments / Advance Payments](#) for details.

F. Setting Up Chart of Account Strings

See [Related Resources/Appendices](#) regarding setting up chart of account strings.

G. Funding Internal Award Recipients

It is expected that awards will be funded up-front, with reimbursement of costs used only when necessary and when agreed upon by both awarding and awardee units.

1. One-time awards should be fully funded on the award start date.
2. Cross-tub funding of annual and multi-year awards should occur on an **annual basis**, typically at the award onset, to allow for consistent financial reporting on a tub-by-tub basis. Intra-tub awards may follow a less restrictive funding schedule, based on local policies and procedures.

Awards can sometimes be committed from funds that have not yet been received by the awarding unit (e.g., pledge receivable, endowment distribution on a multi-year award). In this case, funds may not be available to transfer at the award onset, which must be stipulated in the award terms, and the awarding unit is responsible for providing an alternate funding source for the award if the anticipated funding source is not received (i.e., the awarding unit bears the financial responsibility for the award).

Schools and units must be consistent in their funding practices, have expectations documented when awarding the funds, and must use correct object codes when moving the internal funds following the [Internal Transfers Policy](#).

H. Alternative Funding Methodologies

Alternative funding methodologies may be used as agreed upon by both awarding and awardee units (e.g., aligning funding with budgeted expenditures in cases where spending will be front or back-loaded, etc.)

Funding that may be shared between schools and units would follow the above processes when transferring funds between the schools and units.

I. Funding External Award Recipients

When funding external awards, the Agreement or Memorandum of Understanding (MOU) must include details regarding payment schedule and documentation requirements.

External Awards are accounted for as “Services Purchased” expenses to the University and are reimbursed for expenses based on submitted invoices. The full payment of each invoice (including direct and indirect expenses) should be coded in a lump sum to object code 8310 – Non-Sponsored Funded External Awards + Collaborations.

Some external awardees may provide detailed invoices, breaking out expenses by category and charging indirect costs, but for University financial reporting, this must all be coded in totality to object code 8310 as a direct expense. The Subcontracted Services object codes 8190-8193 are only for use with sponsored funds.

Please note that external non-sponsored funded awards may not be recorded as subcontract services or a payment to an independent contractor.

1. Invoice review process/supporting documentation:

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- a. Generally, external awards are paid on a cost reimbursement basis with the awardee submitting invoices on a regular basis with any additional required back up documentation. Additional financial reporting is not required in these cases since a review occurs at the time of processing the invoice.
- b. Ensure invoices/financial reports are timely, compliant with the terms of the external funding agreement, accurate, and contain an appropriate certification as to the truth and accuracy of the invoice.
- c. Invoices should include language regarding agreed-upon currency, detailed expenses based on budgets (current and cumulative by budget category), any reportable cost sharing if applicable, and attestation language signed by the PI similar to the below.
- d. Sample attestation language: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements, and cash receipts are for the purposes and objectives set forth in the terms and conditions of the agreement."
- e. Obtain Award Program director or equivalent written confirmation/signature approving all payments.
- f. For any questionable expense(s), additional backup from the External Funding Recipient may be requested specific to the charge(s) prior to payment.

J. Pre-Payments / Advance Payments

External awards are generally paid on a cost-reimbursement basis. In some cases, if approved by the fund owner's financial dean/designee, a prepayment may be permitted using object code 0540 (Prepaid Expenses), particularly in cases where the external funding recipient is dependent on the funding to pay costs associated with the award. Given the administrative burden and inherent risk of non-performance, this model is discouraged; the awardee will be held financially liable if the award is not completed.

1. Prepayments must be documented in the Award Program owner's records and must provide justification for the advance payment terms.
2. The Award Program Owner must confirm with the relevant development office/finance representative how the advance should be treated in the event the award is not performed as expected. If this includes financial risk to the Award Program, confirm the funding source available to cover the financial risk.
3. If the funding source for the award is a restricted current use gift/endowment fund, the expense would need to be written off to an unrestricted fund if the funded project is not performed.
4. When drafting payment term language, ensure that each individual payment amount is right sized to support project needs while mitigating financial risk, include appropriate financial reporting requirements, and include a requirement that unspent funds be returned at the end of the award/project.
5. In the event that advance payments are permitted, financial reports should be required at least quarterly throughout the life of the award agreement. A final financial report should be required within 90 days after the end of the award agreement along with reimbursement for any unspent funds.
6. When appropriate documentation is received from the awardee, a journal to charge object code 8310 and credit 0540 for the amount of the support should be processed.

K. Funding Using Multiple Sources

There may be instances in which multiple funding sources are identified for a particular Award Program. However, if enough funds are available in a particular funding source, one single funding source should be utilized per award for ease of tracking given that there is no systematic way to track awards funded via multiple funding sources. Restricted funding sources should be prioritized for use ahead of unrestricted sources.

Given current system constraints, there is no systematic way to track awards funded via multiple fundings sources; therefore, each award to an awardee should be from a single funding source.

II. Award Monitoring

Awardees should monitor spending to make sure that expenses are in line with the proposed budget and funds are being used appropriately.

The Awardee should submit requests for any award modifications to the Harvard Non-Sponsored Funded Award Program in a timely manner.

Award Program Owners should also regularly review spending patterns and reach out to Awardees if any concerns are identified.

III. Re-budgets and No-Cost Extensions

Details regarding requirements for re-budgeting and no-cost extension requests must be included in the Award Letter/Agreement. Awardees should communicate requests to the Award Program Owner in a timely manner (e.g., thirty days prior to the desired effective date of the requested change).

IV. Award Close Out

Awards must be closed out in a timely manner and include confirmation of final figures, receipt of deliverables, transfer of any surplus funds back to the Fund Owner or removal of over expenditures from the account string, disabling of appropriate chart of accounts (COA) segment values, and modifying any cross-validation rules related to the award coding string.

Definitions

Agreement: See Contract.

Assessments: For the purposes of this policy, assessments are administrative charges made by Harvard on certain current use gifts, endowments, or unrestricted designated funds to help offset costs incurred in administering the fund.

Award Program: Department or Unit that determines the competitive selection process, sets award terms and conditions, selects awardees, and monitors awards through close out.

Award Program Owner: Harvard Department or Unit responsible for the program. Generally, the program owner and fund owner are the same.

Award Recipient: See awardee.

Award: Allocation of funding that funds a task(s) on one or more projects.

Awardee: Department, individual, or entity receiving the funds. The Awardee may be internal or external to Harvard based on the Award Program terms.

Awarding School or Unit: School or unit responsible for distributing the award. Generally, the Program Owner or Fund Owner.

Competitive Review Process: A process requiring a formal submission/request for funds which is reviewed and awarded by a committee. See Award Program.

Contract: A legal instrument by which a non-sponsored entity purchases goods or services needed to carry out the project or program.

External Award: An award to an external party, i.e., one that is not part of Harvard University's consolidated financial statement. Typically award transactions made against Harvard's chart of accounts are considered an internal award.

External Funding Recipient: An entity legally separate from and nonconsolidated with Harvard for financial reporting purposes, including affiliated medical centers, that receives funding from Harvard to support completion of a funded project (in whole or in part) where the funding source is a restricted current use gift, endowment, or other university funding source (and not a sponsored award). An External Funding Recipient's performance is measured against whether the objectives of the funded project are met; External Funding Recipients have responsibility for programmatic decision-making and for adherence to applicable program compliance responsibilities. External Funding Recipients are responsible for performing the entirety (or a substantive portion) of the funded project, as opposed to providing goods and services.

External Party: An entity or person that is legally separate from President and Fellows of Harvard College and not consolidated for financial reporting purposes.

Facilities and Administrative (F&A): See IDC

Fellowship/Grant: For the purposes of this policy, Fellowships/Grants are funds to support an individual in the pursuit of their professional development, scholarship, or research. These are not payments in exchange for services, but rather payments to allow someone to carry out their own research or educational activities.

Fund Owner: The school or unit where the fund has been established in Advance and/or in the General Ledger via CSMA.

Indirect Costs (IDC): For the purposes of this policy, Indirect Costs (also called F&A costs) are costs incurred by the External Funding Recipient that cannot be allocated readily or specifically to a particular project or activity. This is distinct from assessments applied to internal awards.

Internal Award: For this purposes of this policy, Internal Awards are awards furnished with Harvard funding via a competitive selection process used to select award recipients that are internal to the University (i.e., not to a separate legal/nonconsolidated entity). This does not apply to discretionary institutional funds, which are distributed within schools/units where there is no competitive selection process.

Memorandum of Understanding (MOU): An agreement between interested parties establishing their respective responsibilities and intentions regarding a project.

No-Cost Extension: An extension of an award's period of performance with no additional funding.

Non-Sponsored Funded Award Program: A Harvard-managed program established to facilitate the management and oversight of one or more Non-Sponsored Funded Awards. Most often sit under the Fund Owner but can also fall under other schools/units.

Non-Sponsored Funded Award: Harvard granted awards given to individuals or entities selected for funding through a formalized application and review process and funded using non-sponsored funds. These awards may have obligations placed on them by the funder (Harvard) and may require a final report or other type of reporting (e.g., publication, financial, or summary of the project, etc.).

Non-Sponsored Funds: Funds which include unrestricted undesignated or designated funds, restricted current use gifts, or restricted endowments.

Principal Investigator (PI): An individual approved by the Award Program to direct a project funded by the Award Program.

Statement of Work (SOW): A document that outlines the scope, timeline, and cost of a project.

Subaward: An agreement with a third-party organization to perform a portion of a research project or program using its own facilities and resources, which often requires Award Program Owner approval. Recipients of subawards – subrecipients – often perform substantive work that is integral to the performance of the project and is differentiated from services performed by vendors or consultants in terms of both responsibility and autonomy of the subrecipient organization. The agreement terms for a subaward (also referred to as sub-grants or subcontracts) are governed, in part, by the award agreement funding the overall project.

Contact/Responsible Office

Financial Accounting and Reporting (FAR): Responsible for maintaining and answering questions about this policy.

Tub Finance Office: Responsible for advising Non-Sponsored Funded Award Programs and Non-Sponsored Funded Award Program awardees within the school on relevant financial policies and/or accounting considerations as needed.

Non-Sponsored Funded Award Program: Responsible for formalizing the program and overseeing compliance.

Revision History

Replaced the Office for Sponsored Programs' guidance "Establishing an Internal Grant-Making Program," issued July 1, 2014.

Related Resources/Appendices (pending finalization)

Additional appendices and guidance materials will be published at a later date, and will be periodically updated to provide examples, templates, etc. As of this policy's effective date, please refer to Appendices A, B, and C below for additional information.

Appendices

[Appendix A: Interest or Deficits on Internal Award Fund Balances](#)

[Appendix B: Journaling Award Funds](#)

[Appendix C: Assessments and Indirect Costs](#)

To be created: Additional Harvard Non-Sponsored Funded Award Guidance Materials, such as:

- Award Program Set-Up
- RFP Proposal Key Points
- Award Terms and Conditions
- Setting up Chart of Account Strings
- Interest Entries – Income and Expense
- Award Monitoring
- Award Reporting
- Award Close Out
- Award Type Examples
- Budget Template – Harvard Non-Sponsored Funded Awards
- External Awardee versus Contractor/Vendor Determination
- Invoice Template – Harvard Non-Sponsored Funded Awards
- MOU Affiliate Template – Harvard Non-Sponsored Funded Awards

Related Resources

[Committee on the Use of Human Subjects - Institutional Review Board](#)

[Employment Outside of Massachusetts Policy](#)

[Expense Recognition Policy](#)

[Export Control Policies and Procedures](#)

[Human Subjects Payment Policy](#)

[Independent Contractor Policy](#)

[Intellectual Property Policy](#)

[Internal Transfers Policy](#)

[International Work](#)

[Negotiating and Signing Authority Research](#)

[Office of Technology Development - Intellectual Property](#)

[Restricted Fund Spending Compliance Policy](#)

[Revenue Recognition Policy](#)

[University-Issued Card Policy](#)

Appendix A

Interest Income and Expense and Deficits on Internal Award Fund Balances

I. Interest on Internal Award Fund Balances

Entries are processed in the General Ledger (GL) in July of each fiscal year to post interest income (object code (“o/c”) 4530) or expense (o/c 7630), depending upon the prior 6/30 balance, for the individual funds in the various fund types within each tub. These fund types include: unrestricted undesignated (UU), unrestricted designated (UD), restricted gift (RG) and restricted endowment (RE) funds.

Interest entries only post to **one** coding string per tub/fund and are based on all tub activity posted to the fund as reflected in the cumulative Balance Forward totals as of 7/1. The interest is not allocated based on individual org(s) use.

Tubs can change the coding of the interest entries to another org, activity, subactivity and/or root within the same tub/fund using object code 4531 but cannot move it to another tub or fund. Interest entries post for all funds in the fund range; there is no mechanism to exclude funds from the process.

A. Interest earned on Surplus Funds:

All funds with a surplus balance receive interest income for that fund. Unless documented in the awardee’s award letter that interest earned during the award period on any surplus funding can be kept, that interest is owned by the Fund Owner’s tub and must be transferred back to the appropriate tub using object code 5921. Tubs can change the coding of the interest entries to another org, activity, subactivity and/or root within the same tub/fund using object code 4531 but cannot move it to another tub or fund. Interest earned should not be considered part of the funds available for the award.

If the terms of the award are silent on interest earned, the presumption is that the interest earned belongs to the fund’s owning tub.

B. Interest Expense Charged for Overspent Funds:

Interest expense incurred due to a deficit fund balance belongs to that fund in deficit. Further guidance will be issued on how to ensure the interest charge is captured in the appropriate coding.

Other expenses should be moved to remove the deficit (see process below).

C. Journaling Expenses Charged on Overspent Funds:

The award letter should include terms around timely removal of costs in excess of the award amount, including a reasonable time limit to remove those costs. It is recommended that the award letter should specify a coding string that the program owner can utilize if the overspending is not cleared out within the specified timeframe by the awardee.

For example, an award letter can stipulate that the awardee must move any over-expenditures off the fund within 90 days. If the awardee does not move the overspending by this deadline, the fund owner will move costs to the awardee's coding string identified in the award letter.

1. Overspent funds should be reviewed to determine which expenses should be moved. If a determination is difficult, the award budget could be used to find cost categories over budget. Costs would be moved to an unrestricted funding source unless another appropriate restricted fund is identified that the awardee can appropriately charge the costs to.

Moving expenses on overspent funds to another funding source may be done in one of two ways:

Note: when moving deficits from certain funds (i.e., gift funds), be sure to take into account any corresponding assessment reversals that may occur when adjusting the amount of expenses.

- i. Journal by specific object codes

Expenses may be made using the original object codes charged. This is required when journaling payroll object codes.

- ii. Lump sum non-salary journals are allowable by doing a lump sum object code transfer for expenditures in the object code range 6500-8880, excluding the S680 object code range. NOTE: Payroll expenses cannot be moved via this method.

The S680 object code range must be excluded as these costs are capitalized using Oracle Fixed Assets and require individual AP Adjustments for any coding changes. Expenditures moved off an award should attempt to avoid moving costs in this coding range, but if it is necessary to do so, AP Adjustment forms are necessary. Refer to the Fixed Asset Policy for additional information.

One journal entry line will be for the total to be moved from the original fund (credit) with a corresponding journal line for the total costs being moved to an alternate fund (debit) is done for each object code with costs to be moved. The line description for the debit should be "Tr from tub-org-o/c-fund-act-sub-root for the period mm/dd/yy to mm/dd/yy"; the credit "Tr to tub-org-o/c-fund-act-sub-root for the period mm/dd/yy to mm/dd/yy". A HART Transaction Listing report would be retained with the entry as support.

Lump Sum Journal Example:

Harvard Medical School (“HMS”) (award recipient) received an award from President’s Discretionary Funds (“PDF”) (award program owner) for \$100,000. At the end date of the award, spending on the award is \$108,500. Upon review of the original budget, it was determined that Supplies and Equipment, budgeted at \$25,000, were overspent at \$32,000, and S&W, budgeted at \$50,000, were overspent by at \$54,000. Other budgeted line items were underspent. HMS applied judgment and determined that the full \$8,500 would be removed in the supplies and equipment category using Lab Supplies (o/c 6600), which had a balance of \$14,000.

COA	Debit	Credit	Line Description
520-45320-6660-000001-XXXXXX-XXXX-XXXXX	8500		Tr from 520-45320-6600-624587-xxxxxx-xxxx-xxxxx for the period 7/1/23-11/6/23
520-45320-6660-624587-XXXXXX-XXXX-XXXXX		8500	Tr to 520-45320-6600-000001-xxxxxx-xxxx-xxxxx for the period 7/1/23-11/6/23

Appendix B Journaling Award Funds

I. Internal Awards - Journaling Funds

It is expected that awards will be funded up-front, with reimbursement of costs used only when necessary and when agreed upon by both awarding and awardee units. Internal awards using current use gifts or endowments are funded via the appropriate income object code 5920 (intratub) or 5921 (intertub). Refer to the [Internal Transfers Policy](#) for additional information. Schools and units must be consistent in their funding practices, have expectations documented when awarding the funds, and must use correct object codes when moving the internal funds following the [Internal Transfers Policy](#).

A. Funding of annual/one-time awards between schools/units typically occurs at the award onset and multi-year awards between schools/units should occur on an annual basis at award onset and subsequent anniversaries, to allow for consistent financial reporting on a tub-by-tub basis (refer also to section B below). Sometimes awards may be committed before funds have been received by the awarding unit, in which case the awarding unit bears the financial responsibility to ensure that the awardee receives funding as outlined in the award letter. Intra-tub awards may follow a less restrictive funding schedule, based on local policies and procedures.

B. When the award period crosses fiscal years, it is possible to transfer funds based on fiscal year, versus funding the full annual period up front. This may be particularly helpful when an award is being funded by the endowment distribution and is based on fund availability.

Example: \$1M non-sponsored internal award awarded by HMS to FAS for the period April 1, 2025 through March 31, 2027

HMS may elect to transfer 50% of the funding in April 2025 (\$500k) and another 50% in April 2026 (\$500k) using object code 5921, **OR**

HMS may elect to transfer 12.5% of the funding in April 2025 of \$125k, 50% on July 1, 2025 of \$500k, and the remaining 37.5% on July 1, 2026 of \$375k to FAS using object code 5921.

C. It is also possible to elect an alternate funding model, which may be helpful when the internal award spending is expected to be front or backloaded.

D. For example, using the same facts as above, if the budget indicates that a large piece of equipment will be purchased at the award onset for \$300k, the funding outlined in the award letter may elect to allow for the following:

HMS will transfer \$387,500 in April 2025, transfer \$350,000 in July 2025, and \$262,500 in July 2026 to FAS using object code 5921.

Appendix C Examples of Assessments and Indirect Costs

I. Internal Awards - Journaling Funds

An Award Program permits overhead to be assessed and kept by the awardee’s local school or unit. Assessment is based on actual expenses, made, at a minimum on a quarterly basis, and cannot exceed the Award Program’s set assessment limit.

II. External Awards

An Award Program permits an external awardee to budget indirect costs. The Award Program has decided to limit the indirect cost rate to 20%.

The external awardee submits an invoice and any additional required documentation for the expenses incurred. See Invoice Template – Harvard Non-Sponsored Funded Awards.

Steps:

1. Program reviews the invoice and processes the total amount it in accounts payable (AP) system using object code 8310.

AP preparer / requestor may record the transaction as one lump sum or may break it out into multiple lines using same object code(s) if required to track certain expense types (i.e., indirect costs).

Example of an invoice with indirect cost rate and quarterly assessment:

The Research Institute for the Study of Fantastic Beings received an award for \$150,000 and invoices monthly. The invoice gives a detailed breakdown of expenses by budget line. The indirect cost rate was negotiated to be 20%.

The Award Program reviews the invoice and processes a PO or PR and includes invoice and any nonconfidential information as back-up materials as appropriate.

AP Description	COA	Amount
Expenses + 20% IDC for period 3/1-3/31/24 for “The study of gnomes” award	TUB-ORG-8310-GIFT FUND-ACT-SUBACT-ROOT	\$14,191*

*This is the total of direct and indirect costs in the invoice from the external award recipient, which all get coded to the same coding string

2. Assessments

The Award Program will take an internal assessment on the total amount paid on all object codes including object code 8310 on the gift account string.

The school or unit’s current use gift internal assessment rate is 15% and has not exempted 8310 from the assessment calculation so would assess \$2,128.65 for the March assessment charged to 8922 (Transfer of Admin Fees, Internal GENERAL).