

**CAT QUESTIONNAIRE**  
**Administration of Gifts, Grants, and Contracts**

1. Do procedures exist to ensure that differences between gifts, grants, and contracts are recognized and that the appropriate accounts are established in Banner?

**Policy:** The Office of Business and Financial Services Business and Financial Policies and Procedures manual, Section 11.2-- Distinctions Between Gifts and Sponsored Activities (Grants and Contracts) states: "Sometimes the differences between gifts and sponsored activities, particularly grants, can be subtle. However, differentiation between them is important because there are differences in processing, use and oversight."

**GENERAL DEFINITIONS**

**Gifts:** Contributions made to the University for which the provider receives no direct benefit and requires nothing in exchange beyond a general assurance that the intent of the contribution will be honored.

**Sponsored Activities (Grants and Contracts):** A defined activity undertaken by the University with support provided by an external entity which expects an outcome that either directly benefits the provider or a public purpose. At a minimum, the provider requires the University to report on how the funds were spent and/or what progress has been made in accomplishing the goals of the activity."

Additional guidance is provided in Section 11.2 for distinguishing between gifts, grants, and contracts.

**Explanation:** Grants and contracts are supported by written agreements that should be properly approved by University officials and on file in the Grants and Contracts Office. Grants and contracts are to be recorded in grant fund codes. Gifts are generally checks accompanied by a letter from the donor either stating that the gift is unrestricted, or outlining how the gift is to be used. In general, if the sponsor requires any quid pro quo or anything tangible of value in return for the support provided (e.g., a paper), the support is not a gift. Gifts are to be recorded in gift fund codes.

2. Are all expenditures, including payroll expenses, incurred under a grant agreement or contract reviewed for allowability by the principal investigator or another individual with suitable means of verification?

**Policy:** Confirmation of Direct Charges and Cost Sharing Contributed to Sponsored Projects in the Office of Business and Financial Services Business and Financial Policies and Procedures manual, Section 16.1.3 – Compensation for Personal Services Charged to Sponsored Projects (Urbana-Champaign Campus Supplement) indicates that all personal services charges to sponsored projects must have after-the-fact confirmation that they were properly incurred. Salary that is contributed as cost sharing must also be confirmed after the fact. Units are to provide each Principal Investigator with a copy of their sponsored project Payroll Labor Distribution Reports, or a unit form containing the same information. The information on the Payroll Labor Distribution Reports is used to determine that the salaries charged to each sponsored project are reasonable in relation to the work performed. In signing the semi-annual

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confirmation of expenses, Principal Investigators confirm that they have reviewed monthly payroll vouchers and initiated any necessary corrections.

For the six-month periods ending December and June of each year, each Principal Investigator signs an after-the-fact confirmation to include all direct charges and cost sharing effort for each sponsored agreement. Failure to have these certifications on file at the Grants and Contracts Office can result in having all of that grant's expenditures for the reporting period disallowed. Transfers of allowable and proper charges which represent corrections must be initiated promptly, and must be supported by documentation justifying the transfer. Once confirmed, these expenditures cannot normally be transferred or otherwise changed. Signing these confirmations without knowledge of their correctness can be interpreted as a fraudulent action on the part of the Principal Investigator and the University.

**Explanation:** Only allowable expenses that directly benefit a sponsored project and are in accordance with its budget can be charged to the grant fund. Principal Investigators and their units are responsible for assuring that costs assigned to Federal projects are appropriate. Restricted cost categories and other inappropriate charges can be readily detected in audits, and resulting disallowances must be reimbursed to the Federal government. In most cases, this will be the financial responsibility of the unit. Future sponsor funding could be jeopardized also.

3. Are there procedures to ensure compliance with all terms of the grant or contract agreement (e.g., technical and progress reports, sponsorship acknowledgment and disclaimers in publications)?

**Policy:** The Office of Business and Financial Services Business and Financial Policies and Procedures manual, Section 16.1.5 – Sponsored Projects Administration (Urbana-Champaign Campus Supplement) stresses the importance of complying with all terms of the grant or contract agreement.

**Explanation:** Although preparation of technical and progress reports are the direct responsibility of the principal investigator (PI), it is a key control for units as part of their general supervision to have a tickler system or other means to monitor the meeting of these and other such deadlines. Units should also ensure that PIs are aware of their obligation to include an acknowledgement of grant funding in certain publications, as required by federal regulations. Future sponsor funding may be jeopardized by noncompliance with the terms of the agreement.

4. Do procedures require the monitoring of subgrantees/subcontractees to ensure that: a) subgrants/subcontracts are awarded to other organizations only on the basis of properly completed and approved sub-award proposals filed in a timely manner; b) disbursements to subgrantees/subcontractees are approved by management and based only on properly completed reports or billings submitted in a timely manner; and c) appropriate corrective action is taken to address material problems and abuses prior to the final payment of subgrant/subcontract funds?

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**Policy:** 7.h) Monitoring of Subrecipients of the UIUC Grants and Contracts Operational Information Package indicates that the Principal Investigator (PI) is responsible for identifying the subrecipient, and for determining whether the proposed scope of work meets the needs of the project and whether the proposed costs are reasonable in relation to the work to be performed. The PI is also responsible for approving the subrecipient invoice after determining that the progress is satisfactory, and that the cost is reasonable in relation to the work performed. If the subrecipient is not performing satisfactorily, or issues of compliance with the terms and conditions of the award arise, the Grants and Contracts Office will work with the department and Principal Investigator to withhold payments to a subrecipient. In the case where a subrecipient institution fails to comply with relevant audit requirements, the Grants and Contracts Office may withhold new subawards to that institution and suspend payments under subawards until such time as the requirements are met.

**Explanation:** Sponsors hold the University accountable for the actions of subcontractors and subgrantees. As part of its general supervision of grants, units who are using subcontractors or subgrantees should be taking adequate steps to set standards for the work to be performed and find parties capable of meeting them. Such steps would include obtaining and reviewing proposals and evaluating the competence and reliability of the parties doing the work to evaluate whether their work is complete and meets the agreed standards. If not, it is the unit's responsibility to notify the Office of Business and Financial Services of this fact promptly so that they will know that the payment should be withheld until the issues are resolved.

5. Do procedures ensure that expenditures from restricted gift accounts comply with the donor's intent?

**Policy:** The Office of Business and Financial Affairs Business and Financial Policies and Procedures manual, Section 8.13 -- Allowability and Funding of Certain Expenditures, provides that Federal law, state statute, donor/sponsor conditions and good business practices establish both general and specific restrictions on the use of University funds. Expenditures must stay within the parameters of all applicable restrictions to be allowable.

Generally, funding is available to purchase goods and services needed to accomplish the objectives for which the funds were provided. Gift, grant, and contract funds are usually restricted to a specified project or purpose by the donor, grantor, or contractor.

Section 11.1 – Private Gifts indicates that the University of Illinois solicits and receives donations which further its mission of education, research, public service, and economic development. No gift funds may be accepted under terms which require prohibited discrimination or are in conflict with federal or state law or University policy. Section 11.1 also indicates that the College/Unit responsibilities include monitoring expenditure of gift funds in accordance with donor instructions. Section 11.2 – Distinctions Between Gifts and Sponsored Activities (Grants and Contracts) also states that how the University defines and uses gifts and sponsored activities is based on the provisions of the agreement and the General Rules of the University, Illinois Compiled Statutes, and guidelines from the National Association of College and University Business Officers (NACUBO).

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**Explanation:** The University has a fiduciary duty to expend gift funds as the donor intended. When units review prospective gifts, consideration should be given to the usage of University facilities, the extent and nature of any University contributions, the manpower utilization, and any other aspects which have an impact upon the research and service effort of the unit.

Gifts accepted by units should be appropriate for the unit's mission, and the units should be able and willing to do what the donor intends or else the unit shouldn't accept the gift. Units are likely to attract gifts if they demonstrate good stewardship and can demonstrate to donors that they administer and use gifts as the donors specified. If units are unable or unwilling to use gifts as donors specify, they should not accept such gifts since noncompliance with donor intent can jeopardize future funding.