

HARVARD UNIVERSITY



Foreign Awards Paid in Foreign Currency Guidance

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Responsible Office: Office for Sponsored Programs

Reason for Guidance

At times, the University is unable to negotiate payment from foreign sponsors in U.S. Dollars (USD). In those instances, it is recommended that school/tubs consider obligating such awards at 90% to accommodate potential foreign currency fluctuations that occur over the life of the award. This guidance outlines a process to manage foreign currency fluctuations in order to minimize cash losses.

Who Must Comply

This guidance is applicable to all Principal Investigators (PIs) and administrators at the University within all schools, units, divisions, University-wide initiatives, and centers, who are involved with the initiation, administration, and conduct of sponsored awards.

Roles and Responsibilities

Foreign currency obligation responsibilities are shared amongst the following:

PI & Department/Local Level Managing Unit

- Develop detailed budgets and budget justifications as required for proposal submission to the sponsor in USD.
- If it is known that the award will be awarded in a foreign currency, use [OANDA](#) for historical exchange rates and trends in order to develop an accurate budget that accommodates foreign currency fluctuations.
- Manage spending to be in-line with obligated amount; monitor updated action memos that de-obligate the award if cash payments are less than anticipated

School/Tub

- Facilitate regular monitoring of awards in the departments/local level managing units
- Work with PIs and departments to resolve issues on awards that result in a loss due to a foreign exchange fluctuation

Office for Sponsored Programs (OSP) / Harvard Medical School (HMS) or Harvard T.H. Chan School of Public Health (HSPH) Office for Research Administration (ORA)

- Negotiate foreign awards in USD; if unable, then work with sponsor to establish favorable award terms to minimize any loss from foreign currency fluctuations
- When award comes in, depending on payment schedule, obligate at 90%
- OSP Research Finance responsible for notifying ORA or OSP when a payment is less than the anticipated amount on a quarterly basis
- OSP and ORA to de-obligate an award to account for cash losses due to foreign currency fluctuations

Procedures

The following procedures outline the process for obligating awards received in foreign currency.

Proposal Process

If it is known at proposal stage that a foreign sponsor will not pay in USD, then the department/local level managing unit should work with ORA and OSP on the best way to develop the proposal budget to accommodate foreign currency fluctuations.

Award Initiation

OSP or ORA will make all attempts to negotiate a sponsored award with the following terms:

- Award stipulates payment in USD.
- If USD is not feasible, then the highest advance payment amount will be requested in order to better manage the fluctuations.

- A frequent, at least once quarterly, payment schedule will be requested.
- If the sponsor will not provide an advanced payment and/or negotiate a frequent payment schedule, OSP/ORR will attempt to negotiate a firm, fixed price award. OSP/ORR will obligate the entire year at 90% to account for any currency fluctuations that may arise between the award start date and the first payment date.
- Any associated subawards will be initiated at the adjusted amount.

Award Management

- On a quarterly basis, OSP Research Finance will submit requests to OSP/ORR to adjust the obligated award amount in GMAS to reflect the actual USD received to date (any change >USD\$250).
- As award modifications are received by OSP/ORR, obligations are calculated based on the most recent foreign currency conversion ([OANDA](#)).
- Subawards can be awarded, at the discretion of the school and the PI, at 90%

Award Closeout

OSP Research Finance will ensure that income matches expenses.

- Any over-expenditure due to the foreign currency fluctuation beyond what was obligated will be the responsibility of the PI/department/local level managing unit.
- If income exceeds expenses due to favorable currency fluctuations, then the income will be moved to a non-sponsored fund in compliance with sponsor award terms and school/tub level policies.

Additional Resources

- [Fixed Price Award Residual Balance Transfer Form](#)

Related Policies and Documents

- [Fixed Price Residual Balances Guidance](#)

- [Sponsored Financial Reporting and Closeout Policy](#)
- [Sponsored Expenditures Guidelines](#)

Definitions

Fixed price sponsored award

This type of agreement requires the University to successfully perform the work and deliver the product for a price agreed to up front.

Residual Balance (Unexpended funds)

The unspent balance of obligated funding portion of sponsored award.

Sponsored award

Funding arrangement in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise.