

HARVARD UNIVERSITY



Interest Income Paid on Non-Federal Sponsored Funds

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Responsible Office: Office for Sponsored Programs

Policy Statement

Harvard University's Office of Treasury Management (OTM)'s interest policy is to annually credit interest to Non-Federal Awards ("NE") and Non-Federal Sponsored Grants ("NG"). For these two fund types, the interest is paid monthly using 1/12th of the University's annual internal interest rate and is only applied to surplus balances. At this time, deficit balances are not charged interest. Expenditures of interest income must comply with non-federal sponsored award terms and conditions and University policies. If the sponsored award terms restrict the use of interest income to the same project, the interest income must be expended on the award during the sponsored award period of performance.

Reason for Policy

This policy provides guidance to staff who are responsible for managing non-federal sponsored awards and applies to all non-federal sponsored awards.

Who Must Comply

All Principal Investigators (PIs) and administrators at Harvard University within all schools, units, divisions, University-wide initiatives, and centers who are involved with the administration and conduct of sponsored awards must comply with this policy.

Roles and Responsibilities

Principal Investigators (PIs) and Department/Local level managing units are responsible for complying with the non-federal sponsored award terms and conditions and University policies and identifying

Unrestricted Designated (UD) or Unrestricted Undesignated (UU) funds for remaining interest income when applicable.

School/tub level officials provide financial compliance oversight and are responsible for ensuring PIs and department/local level managing units comply with the non-federal sponsored award terms and conditions and University policies.

Office for Sponsored Programs (OSP) is responsible for determining the appropriate method for utilizing the interest income earned according to the sponsored requirements; prior to the award closeout, processing journals to transfer the remaining interest income to Unrestricted Designated (UD) or Unrestricted Undesignated (UU) funds for sponsored awards with no restriction on use of interest income to the same project; returning the interest income to the sponsor if it is required by the sponsor, notifying the Office of the Controller (OC) to remove unspent interest income amount from those sponsored awards that restrict the use of interest income to the same project.

Office of the Controller's Financial Accounting and Reporting (FAR) is responsible for calculating and paying interest on NG/Non-Federal Sponsored Grants funds and prior to award closeout and coordinating with OSP to remove unspent interest income amount from those sponsored awards that restrict the use of interest income to the same project.

Harvard University Information Technology's Administrative Technology Services (ATS) is responsible for the monthly automated run to calculate and pay interest on NE/Non-Federal Award funds.

Policy

The following table depicts the distinction between NE versus NG funds. Concerns regarding interest income funds can be addressed to the [OSP Research Finance Team](#).

Table 1: NE versus NG funds

	NE/Non-Federal Awards	NG/Non-Federal Sponsored Grants
Fund Ranges	200000-249999	250000-299999
Credit balances are determined by summing the following object codes	0120, 4000-4529, 4531-9509	3750, 4000-4529, 4531-9509
Office responsible for calculating and paying interest	Harvard University Information Technology's Administrative Technology Services (ATS)	Office of the Controller's Financial Accounting and Reporting Office (FAR)
Interest payments will appear on the Transaction Listing as Journal Source	GMAS 155 Journal Entries	MALL 976 INT CS and NFSG (Construction Gifts and Non-Federal Sponsored Grants)
Interest entries will be processed monthly	After the prior month's General Ledger close	After the prior month's General Ledger close
Funds with a credit balance in the prior month, but a zero or positive balance in the current month will have	No interest paid	Interest paid
Funds with a credit in the prior month, but the charts values have been disabled by the time of the interest entry will result in	Interest will be paid to a default account in the GL: Tub-TLO-4530-000001-799596-0000-00000	Interest will be paid to a default account in the GL: Tub-TLO-4530-000001-799596-0000-00000

	NE/Non-Federal Awards	NG/Non-Federal Sponsored Grants
If remaining interest can be retained and sponsor does not have restrictions on use of interest income, at award closeout	OSP Research Finance Team will confirm the final figure with the department and transfer residual interest using a Non-Operating Transfer (93XX object code) to an Unrestricted Designated (UD) or Unrestricted Undesignated (UU) fund to reconcile the account	OSP Research Finance Team will confirm the final figure with the department and transfer residual interest using a Non-Operating Transfer (93XX object code) to an Unrestricted Designated (UD) or Unrestricted Undesignated (UU) fund to reconcile the account
If there is remaining interest income and the sponsor has restriction on use of interest income for the same project, at award closeout	OSP Research Finance Team will confirm the final figure with the department and coordinate with the OC's FAR to remove any remaining interest income to reconcile the account	OSP Research Finance Team will confirm the final figure with the department and coordinate with the OC's FAR to remove any remaining interest income to reconcile the account
If interest must be returned to sponsor, at award closeout	OSP Research Finance Team will issue a refund to the sponsor	OSP Research Finance Team will issue a refund to the sponsor

Policy Exceptions

In rare cases, there may be compelling circumstances where exceptions to this policy may be warranted. All requests for an exception to this policy must be in writing, signed by the school/tub's Director of Research Administration, Financial Dean, or equivalent position and submitted to the Assistant Vice President (AVP) of OSP. After considering the request, the AVP of OSP will determine whether to grant or deny the exception.

Definitions

Internal interest rate

Internal interest is paid on many of the fund balances held by Tubs at the University's Central Bank. The rate is predetermined by Office of Treasury Management by forecasting the treasury bill rates for the upcoming fiscal year. Upon request, each tub's financial office can provide the internal interest rate for the current fiscal year.

Non-Federal Awards (NE) / Non-Federal Sponsored Grants (NG)

Funds differ based on several factors including the sponsored award terms and conditions, scope of work, value exchange, and cost/budget information (see [Determining Award Type for Non-Federal External Funding: RG, NG or NE?](#)).

Related Policies and Guidance

- [Guidance on Fixed Price Sponsored Awards](#)
- [Sponsored Financial Reporting Closeout policy](#)

Resources

- [Determining Award Type for Non-Federal External Funding: RG, NG or NE?](#)
- [GMAS Interface for NE / Non-Federal Award](#)

Revision History

- June 20, 2018
 - New
- April 22, 2019
 - Converted to standard policy template and added roles and responsibilities, NE versus NG table, policy exceptions, and definitions sections
 - Clarified object codes that apply to NE versus NG

- Specified that transfers are performed by OSP Research Finance versus schools/tubs
- Specified that the Office of the Controller will balance out interest income at closeout if the sponsored award terms restrict interest income to be used for the same project