Policy on Interest Income Paid on Non-Federal Sponsored Funds

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>
<thead>
<tr>
<th>Fund Ranges</th>
<th>NE / Non-Federal Awards</th>
<th>NG / Non-Federal Sponsored Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit balances are determined by summing the following object codes</td>
<td>0120, 4000-4529, 4531-9509</td>
<td>3750, 4000-4529, 4531-9509</td>
</tr>
<tr>
<td>Office responsible for calculating and paying interest</td>
<td>Harvard University Information Technology’s Administrative Technology Services (ATS)</td>
<td>Office of the Controller’s Financial Accounting and Reporting Office (FAR)</td>
</tr>
<tr>
<td>Interest payments will appear on the Transaction Listing as Journal Source</td>
<td>GMAS 155 Journal Entries</td>
<td>MALL 976 INT CS and NFSG (Construction Gifts and Non-Federal Sponsored Grants)</td>
</tr>
<tr>
<td>Interest entries will be processed monthly</td>
<td>After the prior month’s General Ledger close</td>
<td></td>
</tr>
<tr>
<td>Funds with a credit balance in the prior month, but a zero or positive balance in the current month will have</td>
<td>No interest paid</td>
<td>Interest paid</td>
</tr>
<tr>
<td>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</td>
<td>Interest will be paid to a default account in the GL: Tub-TLO-4530-000001-799596-0000-0000</td>
<td></td>
</tr>
<tr>
<td>If remaining interest can be retained and sponsor does not have restrictions on use of interest income, at award closeout</td>
<td>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</td>
<td></td>
</tr>
<tr>
<td>If there is remaining interest income and the sponsor has restriction on use of interest income for the same project, at award closeout</td>
<td>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</td>
<td></td>
</tr>
</tbody>
</table>
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
Closeout policy (should be added)

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