



## **PROCEDURAL STATEMENT**

**Procedural Statement Title:** Foreign Currency Procedure

**Functional Area:** Research Administration

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<b>Effective Date:</b>	September 30, 2015
<b>Approved by:</b>	Gary Henry, Assistant Vice Chancellor for Research and Director Vicki Nichol, Campus Controller
<b>Responsible Offices:</b>	Office of Contracts and Grants and Campus Controller's Office
<b>Procedural Statement Contact:</b>	Gary Henry, Assistant Vice Chancellor for Research and Director
<b>Last Reviewed/Updated:</b>	April 22, 2022

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### **I. PROCEDURAL STATEMENT**

The University is participating in an increasingly global world—which has many positive benefits, but also creates some challenges. One of those challenges is accepting research paid in a foreign currency. Accepting an agreement in a foreign currency creates Foreign Exchange Risk for the University. To address this risk, a foreign currency reserve will be required as a budget item (along with bank transaction fees) for all sponsored projects where payment is made in a foreign currency. The Office of Contracts and Grants (OCG) Proposal Analyst will budget an estimated amount during the proposal stage. The OCG Award Officer will attempt to negotiate favorable language during the agreement review in an effort to minimize the financial impact of foreign currency exchange. The Research Financial Services (RFS) Revenue Management Accountant will provide information about cash receipts compared with the budget. While these actions are attempts to mitigate the risk, the Principal Investigator (PI) and the department are ultimately responsible for the project, and the decision to accept such an agreement will require an acknowledgement of the responsibility for this risk.

The purpose of this procedural statement is to provide a consistent process for communicating the foreign exchange risk between central offices and campus units, beginning at the proposal stage, and minimizing budget concerns during award management.

### **II. DEFINITIONS**

**Foreign Exchange Risk** - When payment is made to the University in a currency other than U.S. dollars, this currency must be converted to U.S. dollars at award. This creates a risk when the exchange value at award has decreased since the original budgeted/anticipated value was proposed.

### **III. PROCEDURES**

#### **A. Proposal Development**

- During the proposal development process, the OCG Proposal Analyst will work with the PI and department to develop and review the budget. As a line item in the budget, a foreign currency reserve will be included.
- Historical information indicates that the average foreign currency variation for sponsored projects has been 15%. The OCG Proposal Analyst will include a line item for a foreign currency reserve of at least 15% of total project costs, dependent on sponsor allowability. (For some projects, a higher reserve amount may be needed).
- Bank transaction costs of \$50 a month will also be budgeted dependent on sponsor allowability. If payment is known to be less than monthly, then the cost will be reduced accordingly.
- Prior to submission, the department chair, or a similar authorized official, will be required to submit a signed and completed Foreign Exchange Risk Acceptance Form.

#### **B. Award Negotiation/ Acceptance**

- During the award negotiation, the OCG Award Officer will attempt to negotiate favorable language for the University related to foreign currency exchange. Such language may include payment in U.S. dollars (removing the award from the foreign currency procedure), advance payment of all funds, or an accelerated payment schedule to reduce the risk, and sponsor assumption of the risk where an increase in the foreign currency costs relative to the U.S. dollar would result in an increase in the award value.
- If the sponsor is unwilling to accept this risk, the OCG Award Officer will rely on the completed Foreign Exchange Risk Acceptance Form. On the form, the department will need to provide a SpeedType that will be charged at the end of the project if the foreign currency reserve is insufficient or if the cash receipts do not match the expenditures.
- If the award budget does not include the foreign currency reserve, an internal revised budget including the reserve will be required. The revised budget, including the reserve, will be used in instances where foreign currency exchange rates would otherwise represent a potential financial loss for the University. The Officer will work with the PI and department to make the adjustment.

#### **C. Award Management/Completion**

- InfoEd will reflect the awarded budget in USD including a line for foreign currency contingency budget in account code 960510. Direct and indirect budgets will be reduced accordingly to cover the foreign currency contingency amount, not to exceed the total funded amount. (*Note: percentage of contingency may be adjusted depending on specific foreign currency.*)
- The foreign currency reserve will be recorded in PeopleSoft using the account code 960510. A credit line in the budget for the amount in account code 960510, and the two accounts will net to zero. Please note 960510 is a budget code that is not reflected on the sponsored award document. The value in InfoEd will be the authorized award budget value in USD at the time of award or modification, and it will be the starting value in PeopleSoft. *See table 1 below:*

Unit	Account Code	Amount, \$
<b>InfoEd</b>		
<u>Operating Expenses</u> General Budget	460000	6,422.00
Facilities and Admin Expense	950100	3,467.00
Foreign Currency Contingency	960510	1,483.00
Totals		<b>11,372.00</b>
<b>PeopleSoft/m-Fin Financial Detail</b>		
<u>Operating Expenses</u> General Budget	460000	6,422.00
Facilities and Admin Expense	950100	3,467.00
Foreign Currency Contingency	960510	1,483.00
Foreign Currency Contingency	960510	-1,483.00
Totals		<b>9,889.00</b>
Difference in budgets between InfoEd and PeopleSoft for contingency fee		<b>1,483.00</b>

- RFS will communicate with the department regarding cash receipts and the impact on foreign currency fluctuation. Adjustments to the overall budget will be made based on the amount of the payment received. RFS will work with the department to determine the adjusted budget amount for each payment received. RFS will enter the adjustment, and the budget update will be reflected in the m-fin financial reports.
  - o The budget will be adjusted when the actuals received are greater or less than the budgeted amount. For example, if the budgeted amount is 10,000 euros at \$7,500, but the invoiced amount for 10,000 euros results in actuals of \$5,000, the reserve will be decreased by \$2,500.
- Once the award period of performance has ended, the RFS team will conduct a final review of expenditures, budget modifications, and cash received following our final review and closeout procedures. Final expenditure and budget adjustments will be made at the time of closeout. Unused contingency funds would be used to support the project. In the event of favorable currency fluctuations, unless the agreement terms stipulated those funds should be returned, additional funds would also be used to support the project.
- Any funds on a fixed price award that may remain due to favorable currency fluctuations after the project has been completed and the agreement has been closed out will be retained by the Department as residual funds (direct portion only), unless the agreement terms stipulate otherwise.
- Any funds on a cost reimbursable award that may remain due to favorable currency fluctuations after the project has been supported and the agreement has been closed out will be addressed as identified within the award document. Any residual funds that may be retained by the department will be transferred to an unrestricted speedtype (direct portion only).

This process will be followed consistently for Cost Reimbursable and Fixed Price awards.

IV. **RELATED DOCUMENTS AND RESOURCES**

[Foreign Exchange Risk Acceptance Form](#)

Cognos Report: m-Fin Payments Received

V. **HISTORY**

Changes	Date	Approved By
Adopted	9/30/2015	Denitta Ward and Laura Ragin
Revised: Updated to new format, minor edits, updated SPA to RFS or CCO, replaced history paragraph related to origin of the procedural statement and work of the ReAL Team with purpose of the procedural statement in Section I, addition of OCG and RFS procedure sections in Section III.B., change of account code from 552685 and 552686 to 960510, rewrite of RFS procedures.	4/22/2022	Gary Henry and Vicki Nichol