Frequently Asked Questions - U.S. Federal Government Funded Research Projects

Research Accounting, Financial Services

----

1) **Are these projects recorded in Queen's General Ledger in USD or CDN currency?**
   Given Queen's University is a Canadian institution, transactions in our General Ledger are recorded in CDN currency.

2) **Why is the budget for these projects set up at par?**
   Budgets for these research projects are set up at par, in order to mitigate the risk of foreign currency exchange rate fluctuations and potential overspending. Budgets are updated to reflect the CDN equivalent only once the related revenue is received. For example, if a U.S. grant is awarded for $100.00 USD, the budget is initially set up in the research project at $100.00 CDN. Once the revenue is received, if the exchange rate at the time of deposit was 1.30, the revenue would be recorded in the project at $130.00 CDN. The research project budget would then be updated to reflect $130.00 CDN through a monthly procedure administered by Research Accounting.

3) **How do I spend the actual CDN equivalent amount if budgets are set up at par?**
   In order to access up to the total CDN equivalent grant amount (e.g. $130.00 CDN in Question 2), we strongly recommend that Principal Investigators (PIs) obtain overdraft using the **Overdraft Request – Research Project** form found under the **Forms** tab of the Financial Services website.

4) **When should I obtain overdraft for these projects and how much should the overdraft coverage be?**
   Overdraft should be obtained for the **estimated** foreign currency conversion difference. While the estimate should be conservative to avoid overspending, it should also be sufficient to ensure the total annual grant amount is fully spent, in case carryforwards are not automatic (*Note: carryforwards are explained in Question 12*). For example, using an estimated U.S. conversion rate of 1.30 (*rates are subject to change based on exchange rates published by the Bank of Canada*), it is recommended that you should obtain overdraft for $30.00 in the above example. Once the approved overdraft form is submitted to Research Accounting, a temporary budget will be added to the research project for the additional $30.00, for a <u>total</u> budget of $130.00 CDN. If you are unsure of the amount of overdraft to obtain, please consult with the Research Accounting Finance Contact for the given research project.

   Overdraft should be obtained once an annual budget is set up, in order to provide PIs with access to the total CDN equivalent grant amount. Overdraft requests must have an

end date. The temporary overdraft budget ($30.00 in this example) will automatically reverse on the specified end date. It is recommended that the overdraft end date aligns with the expected date the related revenue is to be received. We encourage PIs with grants funded by US federal agencies to arrange overdraft protection at project set-up and not wait until the end of a budget cycle. When funding is transferred to Queen's as part of a sub-agreement with another lead institution, in order to avoid additional delays, PIs are strongly encouraged to ensure annual reports and other documentation are submitted on time.
Important: Given the overdraft is based on an estimated foreign currency conversion difference, PIs are responsible for any project overspending.

5) **What happens if I do not obtain overdraft?**
If you do not obtain overdraft, you will only have access to the budget that is set up at par, $100.00 CDN in the example provided. Therefore, there is a risk of underspending the annual grant amount. This could be an issue if the carryforward of an unspent balance to the subsequent grant year is not automatically allowable by the funder (i.e. carryforward not permitted, or carryforward must be requested and approved on a schedule determined by the funder).

If a PI overspends throughout the course of the project, in order to access the total CDN equivalent grant amount, the **Research Project Over-Spending Procedure** will automatically be applied to the research project. This means that once a research project is in deficit for one month, the PI and team members will receive an initial notification and will be asked to clear the deficit by month three. After month three, if the project is still in deficit, it will be inactivated. If the project is in a continuous deficit for a period of seven months, the excess of expenses over revenue will be recoded to the departmental operating fund.

6) **How do I interpret my available balance, in CDN currency and in U.S. currency?**
You may interpret your available balance by running a FAST Project Summary report for the research project and referring to the "Surplus/Deficit" column. If you have not obtained overdraft for the project, the project budget will be set up at par, as explained above. If you have obtained overdraft based on an estimated U.S. exchange difference, this will already be included in your project budget, which should reflect the total estimated CDN equivalent grant amount.

7) **What is the difference between an "Approval for Research Project Set-up" vs. revenue received?**
An "Approval for Research Project Set-up" is a notification sent by Research Services units (e.g. Grants or Research Legal) to Research Accounting, which acts as authorization to proceed with setting up a research project and the approved budget(s). Depending

on the research project type and related agreement, the <u>total</u> project budget may be set up initially or budgets may be set up annually. While the budget may be set up annually or cumulatively (total project budget), revenue (i.e. the actual grant funds) is often received in periodic installments (e.g. quarterly, annually, etc.). Therefore, there are often timing delays between budget amounts vs. actual revenue received in the research project.

8) **When do I have access to the next year's budget?**
Once each subsequent year's annual agreement is finalized, the PI must process a TRAQ Event Amendment to notify Research Accounting. A copy of the fully signed agreement must be uploaded to the TRAQ file as support. Once notified, Research Accounting will set up the next year's budget, at par. Overdraft is recommended to ensure PIs have access to the total CDN equivalent grant amount.

9) **When is the budget adjusted to reflect the CDN equivalent?**
The project budget is adjusted to reflect the CDN equivalent only once the actual revenue is received and recorded at the CDN equivalent value in the project. Once this occurs, the project budget is updated accordingly through a monthly process administered by Research Accounting.

10) **When will the actual project funds be received (i.e. revenue)?**
Revenue payment schedules vary by research project and are based on the underlying grant agreement. Payments may be monthly, quarterly, or annually or may be based on specific dates indicated in a payment schedule in the agreement.

11) **How are U.S. funds converted to CDN?**
Current exchange rates obtained from the [Bank of Canada](#) website are used to convert U.S. funds to the CDN equivalent at the time revenue is received.

12) **What are "carryforwards" and are they allowed on these projects?**
The term "carryforward" refers to unspent amounts remaining in a project at the end of each grant year, and whether the funder allows these unspent amounts to automatically carryforward into the subsequent grant year to be spent. Whereas carryforwards may be allowable automatically for some projects, they may only be allowable for carryforward in other projects upon request and approval by the funder. For some projects, carryforwards are simply not allowable. In these cases, it is important for PIs to ensure they are spending the full grant amount. Carryforward rules differ by agreement and project. Refer to Question 15 for details on what happens if carryforwards are not automatic and grant funds are underspent.

13) How will I know if a project allows carryforwards?

Carryforward rules are typically included in the grant agreement or sub-agreement (if Queen's is the subrecipient of a grant). For new projects, this information will be reflected in the "Project Sponsor Info" tab of the TRAQ file and visible as a Project Comment in FAST.

14) Who requests carryforward approval and how is this done?

When preparing the financial reporting or invoicing for the project, if the annual grant amount is underspent and the project does not allow automatic carryforwards, Research Accounting will send an email to the PI regarding these details. The PI is then responsible for following the steps outlined in the email in order to initiate the process for requesting carryforward approval.

15) What happens if carryforwards are not automatic and the annual grant amount is underspent?

If carryforwards are not automatic, they may fall under one of the following scenarios:
i)   Carryforwards are not allowed on the related project. If this is the case and the annual grant amount is underspent, the project budget will be reduced by the unspent amount and the revenue balance (if any) will be returned to the funder by Research Accounting.
ii)   Carryforwards may be allowed, however a formal request must be submitted to the funder for approval. In these cases, the PI is responsible for following the steps outlined in the email sent by Research Accounting (refer to Question 14 for details) in order to initiate the process for requesting carryforward approval. The project budget will be reduced by Research Accounting until such approval is obtained by the funder. If the request is approved, Research Accounting will reinstate the project budget.

16) Does the Project Spending Deadline (PSD) reflect the entire term of the project?

The PSD for these projects, which can be found by running a FAST Project Summary Report, typically reflects the most recently approved annual agreement only. For example, if the research project spans a total of 5 years, and to date, the Year 1 agreement (only) has been approved and finalized, the PSD will relate to the end of Year 1 of the agreement. As each subsequent year's agreement is approved and finalized, the PSD will continue to be updated on an annual basis.

17) Who prepares the financial reports and invoices for these grants, if required?

The Research Accounting Finance Contact prepares the financial reports and invoices for these grants. You can confirm who the Finance Contact is by running a FAST Project

Summary Report for the project. Research Accounting may reach out to the PI for input on this process.

18) **What is the process for deliverable-based invoicing?**
Deliverable-based invoicing occurs only once an event happens which triggers the need for an invoice (e.g. accrual of a specified number of study patients for a clinical trial). The completion of these events is not known until the PI or delegate informs Research Accounting. Once notified, Research Accounting can prepare the invoice with input from the PI or delegate. PIs can confirm whether a project is deliverable-based by running a FAST Project Summary Report. This detail will be included in the Comments column.

19) **What are "cost reimbursement" projects?**
This term refers to research projects which require expenses to be incurred in the project before an invoice can be generated and submitted to the funder. The invoice is based on the research expense details posted to the project.

20) **What happens to any unspent funding remaining at the end of the project?**
Unspent funds remaining at the end of a project must be returned to the funder, unless there is a specific clause in the underlying agreement that specifies Queen's University can retain any unspent funding. In these cases, Research Accounting will apply the **Residual Research Project Balances Procedure**.

21) **Who absorbs gains or losses associated with these grants due to exchange rate fluctuations?**
Any gain or loss associated with these grants due to exchange rate fluctuation must be absorbed in the research project by the PI. This is a known risk associated with research projects funded in non-CDN currencies.

22) **Are these projects audited?**
Queen's University undergoes a **Single Audit** each year, which focuses on ensuring adequate controls are in place and that Queen's is in compliance with U.S. federal government regulations related to these projects.