

Foreign Currency Awards

Definition

Foreign currency awards are awards funded to George Washington University using the sponsor's local currency aside from the U.S. dollar. As these agreements are negotiated using the foreign currency, fluctuation in exchange rates during the life of the award may have significant effect on the payment for sponsored research projects and overall available funding amount to carry out the award objective. As a result, all GW Principal Investigators (PIs) and Department Administrator's should be aware of the risks, including potential decrease of project funding available for spending in US dollars.

To minimize the risk associated with exchange rates, Office of Sponsored Projects (OSP), whenever appropriate, should inquire with international sponsors about the possibility of setting the award amount and payment terms in U.S. Dollars. If sponsor will not agree, possible mitigation options to reduce the risk associated with the exchange rate are the following:

- Payment in full upon execution of the agreement, or,
- As much advance payment as can be mutually agreed upon.

In the event the above options are not acceptable to the sponsor, whenever appropriate, OVPR should discuss with the sponsor the possibility to set a fixed rate of conversion to establish the agreement funding amount. For agreements negotiated using foreign currencies that do not incorporate any of the risk mitigation steps listed above, a consent statement (Attachment A) outlining risk acceptance for the School Finance Director or designee will be available for review and acknowledgment during award acceptance phase. This includes when sponsors inform GW of the bank rate to use from a specific website as fluctuations will still occur from the invoicing date to the payment date.

Addressing Foreign Currency Fluctuations

When a sponsor will not agree to establish an award amount and payment in U.S. dollars or pay in advance fully, departments may be responsible to take on the risk associated with foreign currency fluctuations. This will be accomplished by adjusting the award budget for the gain/loss during the award period.

Overview of Budget Adjustment:

With budget adjustments, the award's budget will change by the gain/loss in currency exchange through the life of the award. Upon each cash payment from the sponsor, Grants and Contracts Accounting Services (GCAS) will work with Office of Sponsored Projects (OSP) to adjust the award budget and funding amount. Funding amount will be increased or decreased based on gain/loss at the time of payment of interim invoices. GCAS will notify the PI at the time of cash application.

Since this approach creates the risk of shortfalls in the awarded amount compared to original approved budget, the PI and Department Administrator should stay abreast of the effect the exchange rate will have on the budget throughout the life of the research project. If cost overages occur with the final invoice/report, these will need to be covered by a departmental fund at the end of the award.

Award Budget and Sponsor Payments:

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The Principal Investigator (PI) should prepare budget in both U.S. Dollars and the currency of the foreign sponsor. Unless the sponsor provides their own exchange rate schedule to be used, Office of Sponsored Projects (OSP) will setup the award with the budget in U.S. Dollars based on the currency exchange rate at the time of award setup or modification.

Funding authorization amount or cash adjustment will be completed upon subsequent payment receipts from the sponsor. This will be done in coordination with Grants and Contracts Services (GCAS), University Accounting Services (UAS) and Office of Sponsored Projects (OSP). The department will be notified upon adjustment.

Rate of Conversion

The rate of conversion at each point during budget preparation, award setup, funding installment adjustment, invoice and/financial report and cash receipt should be clearly documented and made part of the award agreement package in GW Documents.

If you have questions about sponsored awards and foreign currency, please contact your Post Award Sponsor Projects Analyst (SPA Post Award) and/or GCAS Sponsored Projects Accountant/Analyst (SPFA).

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Attachment A

Foreign Currency Consent Statement

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Foreign Exchange Risk Consent Statement

Foreign exchange risk occurs when payment is made to the University in a currency other than U.S. Dollars. This currency must be converted to U.S. dollars before it can be applied to the Sponsored Project award and any exchange rate fluctuation may result in loss of award funding.

Because of this potential risk, School Finance Directors or designee must consent to taking this risk by reading the consent statement below and keeping a record to themselves (if needed). Office of Sponsored Projects (OSP) will provide a link to this consent statement during award negotiation and acceptance period.

Consent Statement:

“By accepting the award agreement in foreign currency, I acknowledge the School is taking the risk of foreign currency loss resulting from exchange rate fluctuation. In the event the fluctuation result an overrun to the Sponsored Project award(s), I authorize the University to cover the overrun using Department’s home organization banner index listed under the sponsored project award (s) unless I provide another banner index prior to award end date.”

You may choose to identify another banner index to be used for covering loss by providing completed and signed form to GCAS Sponsored Projects Financial Accountant/Analyst for your school.

This signed form must be received prior to award end date.

Banner Index for covering foreign exchange loss

Designated banner index _____

School: _____

Finance Director Name: _____

Finance Director Signature _____

Project/Task/Award (if any) _____