

When the going gets tough – Advanced Topics in Research Administration



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OFFICE OF THE VICE-PRESIDENT,
RESEARCH AND INNOVATION

Looking forward.....

- Supporting Documentation
- Matching Contributions to Sponsors
- Currency Exchange on Foreign Awards

Supporting Documentation – What is it and why is it important?

Why keep Supporting Documentation?

Sponsors require Supporting Documentation as Evidence of Expenditures of Funding

- For each grant, the institution and/or the grantee must keep complete and accurate records on the use of Agency funding, including verifiable audit trails with complete supporting documentation for each transaction, for a minimum of seven years.

Why keep Supporting Documentation?

- The grantee is responsible for authorizing expenditures from his/her grant account in accordance with the Sponsor's requirements and conditions of grants and with the institution's policies.
- No other party may initiate or authorize expenditures from a Sponsor's grant account without the grantee's written delegated authority.

Why do all expenditures need to be signed by the Principal Investigator?

All claims must have the grantee or delegate's signature. The signatures certify that:

- all expenditures on the claim are for the purpose for which the grant was awarded;
- all expenditures on the claim are eligible expenses;

Why do all expenditures need to be signed by the Principal Investigator?

- all goods and/or services have been received;
- the charges included have not been claimed for reimbursement from other sources;
- reimbursements for expenditures received from other sources or institutions must be disclosed to the administering institution.

Governing Principle behind Supporting Documentation

- Grantees must be able to provide supporting documentation for all expenditures charged to their grant accounts.
- Where the link to the research is not evident from the supporting documentation, additional information or explanation should be documented which demonstrates that the expenditure is a direct cost of the funded research.
- This key principle will be critical when we implement the upcoming Principle Based Approach for Tri-Agency in the upcoming year.

What is good Supporting Documentation in Key Expense Categories:

Salaries or Stipends paid to research personnel:

- signed records regarding personnel paid from grant funds, including names, categories, salary levels, affiliation to the grant;
- length of time supported in each case;
- details of employee benefits charged and relevant calculations
- Employment offer letters – especially important for external audit purposes.

What is good Supporting Documentation in Key Expense Categories:

Equipment and Supplies:

- supplier invoices indicating details of purchases;
- prices paid.
- Relevant purchase orders/packing slips
- Authorization of expenditure must be clearly evident on supporting documentation

What is good Supporting Documentation in Key Expense Categories:

Internal expense allocations or shared expenditures:

- documentation indicating the exact charge made;
- the method of calculation or attribution;
- the grantee's authorization for those assigned to the Sponsor account.

What is good Supporting Documentation in Key Expense Categories:

Hospitality for networking and research-related activities:

- the date(s) of the event(s);
- number of participants;
- purpose of the event;
- counter signature by the department head or dean for hospitality expenses claimed by the grantee.

What is good Supporting Documentation in Key Expense Categories:

Incentives paid for research recruitment and participation:

- supplier invoices indicating details of incentive purchases;
- the application to a Research Ethics Board (REB) detailing incentive plan (method of distribution, value of incentives, number of people receiving incentive);
- the REB approval of the incentive;
- proof of payment of incentives (e.g. signed receipts, coded list of recipients, attestation of researcher and/or others involved in incentive payment).

What is good Supporting Documentation in Key Expense Categories:

Travel:

- Individuals claiming travel-related expenses from a grant **must** prepare a **separate claim** for each trip.
- These claims must also conform to the standard travel policies and procedures of the grantee's institution.
- For claimants other than the grantee, *the affiliation with the grantee's research group must be specified*

What is good Supporting Documentation in Key Expense Categories:

- If the traveler is a student, the claim must be signed by the grantee.
- In the event that the traveler is the grantee or a visiting researcher, the claim **must be countersigned by the department head or dean** confirming the relevance of the travel to the research being funded.

What is good Supporting Documentation in Key Expense Categories:

The travel claim must include the following information:

- *purpose of trip including the link to the funded research;*
- dates and destinations (person or location visited);
- official supporting documentation (e.g. prospectus or program, indicating the dates of conferences and workshops);

What is good Supporting Documentation in Key Expense Categories:

- details of daily claims for expenditures relating to those visits;
- details of any vehicle used;
- receipts, such as hotel invoices and car rental agreements (credit cards slips or confirmation of reservation are not valid receipts);
- air travel ticket receipts and boarding passes (if available) or any other evidence that supports travel expenses claimed (e.g. a written attestation from the grant holder).

Why Keep Supporting Documentation?

Retaining Supporting Documentation is important:

- it provides evidence to the Sponsor of proper financial administration of their research funding
- makes External Audits more efficient and reduces the likelihood of having a qualified audit opinion

Matching Contributions to Sponsor – What is Sufficient Supporting Documentation

What are Matching Contributions?

- There is a growing trend where Sponsors are encouraging collaborations either with other Universities, Private Sector Partners or home institutions within research projects.
- As a result, it is expected that each partner provide funding to cover the costs associated with the research project.

Challenge with Matching Funding

- Given this new expectation from many Sponsors, the challenge becomes –
 - how do we track these “matching” contributions, and
 - what is sufficient documentation to support the amounts reported on the financial reports submitted to the Sponsor

Matching Funds Provided by Private Sector Sponsors

- Private Sector partners can provide their contributions towards the project in either of two forms:
 - Cash – a cash contribution towards the project which is forwarded to the University
 - In-kind – whereby the Private Sector Partner incurs/pays for costs associated with the project. Examples are staff time, access to equipment, supply of materials, etc.

Matching Funds Provided by Private Sector Sponsors

- Cash contributions to the project are the easier of the two methodologies to verify
- Typically these contributions are set up in a Restricted Research Fund and these Funds are administered similar to Sponsored Research Funds – adhering to University and Sponsor spending policy

Matching Funds Provided by Private Sector Sponsors

- The amount of private sector cash contribution reported on a financial report is simply the revenue and associated expenditures that are charged to the Fund within the reporting period.
- These contributions can either be consolidated with the activity of the Sponsor's Research Fund, or reported separately
- Often these are presented separately on a financial report as the Sponsor wants to see the support provided by the Private Sector partner

Matching Funds Provided by Private Sector Sponsors

- For In-kind contributions, typically we require a letter on the Private Sector Partners letterhead, signed by an official of the Private Sector partner that outlines the In-kind contributions provided during the reporting period
- There is an expectation that should the In-kind contribution be selected at audit, the Private Sector Partner is be able to support the figures provided
- As the In-kind can involve confidential backup information, we do not typically expect the supporting documentation to be provided at reporting time, unless it is expected to be forwarded to the Sponsor

Matching Funds Provided by Host Institution

- What can be considered as an Institutional match is typically defined by the Sponsor within their financial policies
- Examples of Institutional matching are:
 - Funding received from other Sponsors held by the institution (eg. Tri-Agency funding, Provincial funding, Foundation funding; or
 - Expenses paid from the Operating Funds of the Division

Matching Funds Provided by Host Institution

- In both cases, we must be able to support and provide evidence of the expenses being counted as a match towards this project that are funded through “institutional funding”
- For those expenses incurred in other “Sponsored Research Funds” – it is relatively easy to determine the amounts and obtain the necessary supporting documentation as this is documented in the Restricted Research Fund set up to hold these funds

Matching Funds Provided by Host Institution

- For those expenses paid from Operating/Divisional funds, ROCO expects to see:
 - A transactional listing from the Operating/Division fund that provides details of the expenses to be reported
 - If financial support is paid to a student through ROSI, a printout of the payment to the individual must be provided as support of this expenditure.
 - We will not accept just a statement of a figure to be included in a financial report – it must be supported by evidence that the expense has been incurred

Why is Supporting Documentation Necessary?

- It is important to accumulate and retain supporting documentation as it is reported to the Sponsor
- In that way, if it is ever chosen for audit, there will be no extra work for a Business Officer/Financial Administrator to provide this upon request – there is nothing harder than to have to reconstruct a reported number at a later date
- If you have any questions with regards to what is adequate supporting documentation, please feel free to contact the Research Accountant responsible for the financial report to the Sponsor

Currency Exchange – an arduous affair?

Currency Exchange on Foreign Awards

In most cases, awards from sponsors in the United States will be in U.S. dollars, or other foreign currencies from the relevant sponsor.

Because expenditures will generally occur in Canadian dollars and because the University's accounts are maintained in Canadian dollars, the award is converted to Canadian dollars when the budget is established.

Currency Exchange on Foreign Awards

Rate of Conversion

The rate of conversion is the prevailing rate at the earlier of:

- the award start date, and
- the receipt of the first award instalment

Currency Exchange on Foreign Awards

Exchange Rate Risk

- In the case of instalment awards (the usual funding arrangement) there is a risk that the actual Canadian dollars realized on subsequent U.S. dollar instalments will be less than the amount provided to the researcher in the award budget.

Currency Exchange on Foreign Awards

Exchange Rate Risk

- This risk is assumed by the University, i.e. covered out of general revenues. Conversely, if actual Canadian dollars realized on subsequent instalments exceed that provided in the research budget, the difference is added to general revenues. Over time these gains and losses tend to offset each other.

Currency Exchange on Foreign Awards

Exchange Rate Risk

- This is done so that the researcher knows at the outset the level of funding available for the research. Had they been required to assume the exchange risk, the researcher might be faced with an unanticipated decrease in budget and, in fact, may not have sufficient remaining funds to cover this cost.

Currency Exchange on Foreign Awards

Purchases

- Research expenses paid in a foreign currency will be posted to the Fund in Canadian Dollars using the prevailing exchange rate at the time of posting **except**:
 - When the research fund originated in US Dollars (USD) and the expenditure occurred in US Dollars, then the conversion rate to use is the exchange rate **used when the budget was created**. The exchange rate will be noted on the Funded Research Digest (FReD).

Currency Exchange on Foreign Awards

Purchases

- Sub-award payments to be provided in a foreign currency will be posted using the prevailing exchange rate at the time of posting, **except:**
 - When the original Research Award is in US Dollars and the sub-award payment is also in US Dollars: The exchange rate to use for the payment is the **exchange rate used when the research budget was created**. The exchange rate will be noted on the Funded Research Digest (FReD)

Currency Exchange on Foreign Awards

Purchases

- When there is a **pre-determined committed** foreign currency amount within a sub-award agreement, and there is insufficient funds available in the research fund, please contact the Director of Research Accounting, Research Oversight & Compliance Office (ROCO)

Currency Exchange on Foreign Awards

Purchases

Example Scenario #1:

A research grant was awarded to a PI at U of T for \$10,000 USD on Dec 15, 2017. The exchange rate used when the research fund budget was set up was \$1.25

PI purchased equipment on Feb 1, 2018 for \$500.00USD. The conversion rate as of Feb 1, 2018 was \$1.30 – BUT the expense should be posted at the original exchange rate of \$1.25

Currency Exchange on Foreign Awards

Purchases

Example Scenario #2:

A research grant was awarded to a PI at U of T for \$10,000 USD on Dec 15, 2017. The exchange rate used when the research fund budget was set up was \$1.25

PI purchased equipment on Feb 1, 2018 for 700.00 EURO. The expense will be posted to the research fund using the prevailing EURO exchange rate on Feb 1, 2018

Currency Exchange on Foreign Awards

Special Considerations

- For **Multi year awards** and the award is approved by the sponsor on an annual basis, the exchange rate that will be used is the rate at the time the award is approved by the sponsor or when the payment of the award has been received, whichever comes first

Currency Exchange on Foreign Awards

Special Considerations

- For payments to Subgrantees which have a predetermined foreign currency amount, please consult with ROCO to determine actions needed to address fluctuations in the exchange rate