CFO's Message

Dear Colleagues,

Dean Spaepen's March 19 email informed the SEAS community about significant endowment income reduction for the next two fiscal years. Funds received from the endowment to support FY10 operations are projected to be 8% less than they were in FY09. Moreover, FY11 income is projected to experience at least another 8% decrease. Given the effect that this information is bound to have on all of us, I thought that I would devote a section of this month's newsletter to answer some frequently asked questions about the endowment. Please look for that section right after the CFO's message.

One other matter that is also having an immediate impact on university travelers is the switch over from GE to JP Morgan Chase as the university corporate card vendor. Harvard's travel office took opportunity of the transition to remind corporate card holders that these cards should be used for travel and entertainment (i.e. food) expenses only. That raised many questions from card holders who have been accustomed to purchase laboratory supplies or even equipment on their cards.

iProcurement is the preferred purchasing method at SEAS for two reasons. The first reason is that it is a tool that allows the university to leverage its buying power and negotiate better deals for all of us. As you know, opportunities for savings are especially important now. The second reason is that, through that channel, we can ensure that purchases comply with regulations and are assigned the proper accounting code.

Susan recently completed an analysis and found that, for 98% of the requisitions that the SEAS community initiated through iProcurement, the order was placed within one day. The other 2% was delayed because of missing information.

For those rare instances in which a purchase through iProcurement is not practical, a P-card should be the alternative shopping method. The Procurement section of the newsletter provides additional information about P-cards.

Harry Dumay
Associate Dean for Finance and CFO

Endowment FAQ

Announcements

- **Staffing Changes in Research Administration:**
  
  Chris Kelly who has been working for Research Administration as a Grants and Contract Specialist left SEAS last Friday. Our thanks to Chris for his service to SEAS and the Finance Unit. We wish him well at his new position at the Department of Stem Cell and Regenerative Biology. In the interim while we fill Chris' position, please contact Tuyen Phan for questions relating to Chris' portfolio.

- **Paper Delivery Request:**
  
  In the past many of you have asked Matt and Irais for boxes of paper. As of today, Facilities is now responsible for delivery of all boxed paper. Please email Al Leite in Facilities if you need a box of paper delivered to you.

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Harry Dumay
Associate Dean for Finance and CFO

Endowment FAQ
1. **What is an endowment?**
   When a donor wants to provide funding for an activity at a university or charitable organization over a long period of time (many times, in perpetuity), it makes a gift in the form of an endowment. The rules are generally that the money donated be invested so that the principal remains untouched and that only some of the returns from the investment are used to support that particular activity.

2. **How much of the return from our endowment investment do we use?**
   Harvard has adopted a policy to use between 5% and 5.5% of the value of the endowment in a given year.

3. **How did Harvard come up with the 5 - 5.5% endowment policy?**
   There are two components to that policy. The first one is the expected annual return averaged over a long period of time, which is estimated at 8.25%. A long-term average annual estimate allows Harvard to think over the long run and not react to annual ups and downs. The second variable is the expected annual inflation rate for the education sector, which is estimated at 3%. Keeping inflation in mind will ensure that we leave enough of the endowment for future generations to carry out the activities sponsored by the donor. The difference between the annual return and the inflation rate provides the targeted annual payout of 5 to 5.5%

4. **How does this happen year to year?**
   Through the annual budget process, Harvard makes decisions about increases or decreases in the annual endowment income to be distributed to schools. Those increases or decreases aim to approximate a payout rate between 5% and 5.5%. This is usually an approximation effort because the decision on endowment income to be used normally happens in the fall for planning purposes before anyone can know what the exact value of the endowment will be at year end.

5. **How significant is endowment income for SEAS?**
   SEAS has come to rely increasingly on endowment income to fund our operation. Forty-three percent of all SEAS income in fiscal year 2009 came from the endowment. The significant reductions in endowment income that will take place in the next two years will have a profound impact on all aspects of SEAS operation. It will result in a loss of approximately $10 million from a $60 million-budget- not counting sponsored research expenses.

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**Accounting**

**IRS announces New Wage Withholding**

Congress has approved and President Obama has signed new economic recovery legislation that affects the federal income tax withholding on your pay for wages, the **American Recovery and Reinvestment Act of 2009.**

It is not necessary to submit a new Form W-4 "Employee Withholding Allowance Certificate" to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised W-4 "Employee Withholding Allowance Certificate". IRS Publication 919 "How Do I Adjust My Withholdings" provides additional guidance for tax withholding.

To learn more about how it may impact you, please visit the [Internal Revenue Service](http://www.irs.gov) website.

**Budget**

Following the announcement of the new endowment guidelines, the C-7, led by Dean Spaepen, and the Senior Management Team, led by Executive Dean Habbal, are considering what adjustments to make to the fiscal year 2010 budget to line up with the new endowment guidelines and to better prepare SEAS for the next few years financially. Those ideas will take more concrete shape over the month of April and in to early May. This will also give the incoming Dean a chance to input on SEAS proposed
budget during her upcoming visit. Harvard's Central Budget Office has extended the official deadline for the fiscal year 2010 budget to allow Harvard tubs the opportunity to make further adjustments.

Procurement

Requests for PCards:

iProcurement is the preferred purchasing method at SEAS. If a particular vendor does not take purchase orders, there are over 280K vendors in the system. Call the Procurement office and we will be happy to help you find an alternate vendor who takes purchase orders or an alternative method of payment to meet your purchasing needs. SEAS is also rolling out PCards on a limited basis for units or groups that need them. We are proceeding carefully as we wait for the future direction that the University will take with PCards. If you feel you have a strong need for a PCard at this time, please email Harry Dumay directly with your request. He will review the request and get back to you with his recommendation.

Update on Automated Vendor Add Form Process:

Central Accounts Payable and FSS are working to make changes to the new online system to better meet SEAS' needs and improve the overall functionality of the Automated Vendor Add system. When this work is completed and approved by SEAS, Susan Jones will let the community know how/when to begin using the system. For the time being, SEAS will continue to use the existing process of faxing paper "Vendor Add" forms to the Vendor Hotline. The Vendor Hotline team has been instructed to continue to accept the faxed paper forms from SEAS until further notice. We have been assured our paper requests are getting top priority at the Vendor Hotline. The total time your request should take from the time it is faxed to the Vendor Hotline until the vendor appears in the system is 3 business days. If you find your request is taking longer than 3 days, email to Lisa Swett at Lisa_Swett@harvard.edu who will gladly look into the situation for you. Please note: there was a backlog of SEAS requests that was uncovered at the Hotline last week -- they have processed those requests and are now back on track with the 3 day estimate for processing requests.

iProcurement Tip For Today

Before creating a Non-Catalog Requisition follow these steps:

1. Check to see if the vendor is in HCOM by clicking on the HCOM logo and searching by vendor name. To easily find a list of vendors in HCOM, click on the Browse by Supplier link on the main Product Search page.
2. If your vendor is found, search for the catalog number or description of the item you are looking for in the HCOM.
3. If the vendor is in HCOM, but the item is not, use the "Unlisted Item Request" in HCOM so you receive the very best Harvard discount on your purchase and to allow the PO to be sent directly to the vendor by the system.

We are starting to see some orders where the purchaser could have saved up to 15% by ordering a particular item through the vendor's HCOM punchout or catalog rather than as a Non-Catalog Request. We will let you know individually when this occurs so you can take advantage of the savings in the future. Only if the vendor is not in HCOM should you use the Non-Catalog Request to create your order.

Watch your email for an invitation to attend an information sharing session on "WAYS to SAVE Time and Money using HCOM" -- coming in April!
Attention Linde Helium Customers:

As of March 1, 2009, SEAS’s vendor for liquid helium, Linde, Inc has raised the prices due to rising costs of the product. The current prices are as follows:

- 30 liter dewar $7.01/liter, $210.30/dewar
- 60 liter dewar $7.01/liter, $420.60/dewar
- 100 liter dewar $6.29/liter, $629.00/dewar
- 250 liter dewar $5.78/liter, $1,445.00/dewar

Please put your orders into I-Procurement by "# of liters" in the "quantity" space and "price/liter" in the "price" space on the requisition.

It is critical that you pick the vendor site:

Linde Inc
88718 Expedite Way
Chicago, IL 60695-1700

Doing so enables the Harvard’s Central Accounting office to pay the right branch of Linde for your purchases. At some point in the future, the Linde Inc address will appear as 88717 Expedite Way. This is an even better form of the address; when it appears, choose it.

Please do NOT choose "Linde LLC" even though it currently is listed at the 88717 Expedite way address. Please do not choose any other of the available selections for Linde as well. These are not the correct vendor names/site combinations for ordering/payment of invoices.

Research Administration

NSF - AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

With the passage of the American Recovery and Reinvestment Act of 2009 (ARRA), funds are being made available across the full range of federal agencies for special, two-year awards relating to President Obama’s recovery plan.

The NSF is required to submit a spending plan detailing its intended allocation of ARRA funds within 60 days of the enactment of the bill (February 17). Thus, we anticipate the NSF to announce requests for applications for shared instrumentation funding in mid-April. As of now we are unsure if this funding will be limited competition or if cost-share provisions will be applicable.

Additional Information regarding NSF can be found:

- 3/27/09 NSF: Frequently Asked Questions (PDF)
- 3/26/09 NSF: Fact Sheet: American Recovery & Reinvestment Act
- 3/18/09 NSF: Notice to Presidents of Universities and Colleges and Head of other National Science Foundation Awardee Organizations (Notice No.131) (PDF)