
2113 COST TRANSFERS AND PAYROLL REALLOCATIONS

Effective: July 2017
Last Reviewed: April 2018
Last Revised: July 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To ensure sponsored project related regulatory requirements are met when costs charged to sponsored projects were initially charged to other accounts

CONSIDERATIONS

Cost Transfers

- Costs should be initially charged to sponsored projects unless there are documented business reasons for initially charging costs to other accounts.
- Care must be exercised when any charges are made during the pre-award period, during the three months prior to the termination of the project and after the termination date of a project and/or the reporting period of a project (i.e., annual and final financial reports).

When allowable sponsored project costs are initially charged to other accounts they may be considered “Cost Transfers” by regulatory agencies and may be subject to additional regulatory timing and documentation requirements. The additional regulatory timing and documentation requirements may vary by sponsor and any specific sponsor requirements need to be followed.

- For example: Per the US Department of Health and Human Services (DHHS) excluding the National Institutes of Health (NIH): “Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO.”

This includes, but is not limited to the following HHS agencies:

- Administration for Children and Families
- Agency for Health Care Policy and Research (AHRQ)
- Centers for Disease Control and Prevention (CDC)
- Substance Abuse and Mental Health Services Administration (SAMSA)
- Health Resources and Services Administration (HRSA)
- Food and Drug Administration (FDA)

Under this policy, unapproved costs that are charged to awards from these HHS agencies more than 90 days after the occurrence will be considered unallowable.

POLICY

Regulatory agencies have specified the following transactions in their guidance as “Cost Transfers” requiring compliance with the Uniform Guidance Cost Principles and additional documentation within specified timeframes:

- Corrections of amounts initially charged to a sponsored project account (*Corrected Costs*)
- Amounts charged to a sponsored project account from another sponsored project account (*Grant to Grant Costs*)
- Amounts charged to sponsored project accounts over 90 days after the end of the month of the original transaction date (*Over 90 Day Costs*)

1. Responsibility

The Principal Investigator and his/her delegates, including business administrators, are responsible for ensuring the timeliness, accuracy and allowability of costs charged to sponsored projects and preparing and maintaining the associated supporting documentation.

2. Controls/ Documentation

Training

Authorized administrators/delegates are required to complete cost transfer training prior to gaining access to perform cost transfers on sponsored project accounts. Upon completion of the required training, delegates with the authorization and ability to record costs to sponsored projects will use the University’s financial accounting system Sponsored Project Journal Entry Responsibility and the appropriate categories. Journal entries must include a reference to the original transaction entered in the accounting system.

Controls

The **primary control** to ensure proper charging of costs to sponsored projects requires the journals for the costs initially charged to other accounts and or corrections be prepared by authorized administrators or delegates with the authority and ability to ensure the allowability of the costs.

Secondary controls to further ensure the accuracy and timeliness of journal entries charging costs to sponsored projects will be deployed as follows:

- **Transactions less than \$1000, within 90 Days**
 - Allowability and accuracy confirmed by PI and his/her delegates during periodic reviews of effort and other costs charged to individual grants
- **Transactions \$1000 or greater, within 90 Days**
 - Allowability and accuracy confirmed by PI and his/her delegates during periodic reviews of effort and other costs charged to individual grants
Categorized and tracked in “control reports” used by PI delegates to ensure additional documentation requirements have been met
- **Transactions regardless of amount, Over 90 Days**

- Allowability and accuracy verified by PI and his/her delegates during periodic reviews of effort and other costs charged to individual grants,
- Categorized and tracked in “control reports” used by PI delegates to ensure additional documentation requirements have been met,
- Subject to central review and approval by the Office of Research Services
- **Project Closeout**
 - During project closeout, the Office of Research Services reserves the right to move untimely, undocumented and/or unallowable cost transfers to the department’s discretionary account.
- **Payroll Reallocations**
 - Since salary distributions are initially made based on estimated effort over an extended period of time, changes to these distributions when actual effort is determined to be different are not subject to categorization including the 90 day limitation for open certification periods.
 - For awards that expire in the middle of an effort reporting period, departments are responsible for ensuring the accuracy of the salary charges before ORS issues a final expenditure report. Changes to salary distributions may not be made after a final financial report is issued. The Office of Research Services must be contacted if errors are discovered after the issuance of the final report. Payroll reallocations processed in order to avoid overdrafts or to fully expend projects at termination are unallowable charges.

The journal entry categories used in the “control reports” are as follows:

- **Category 14**- This category should be used for all journal entries for transactions of less than \$1000. It is also used for other journal entries for any cost charged to a sponsored project that for business reasons were initially charged to other accounts. The business reasons must be documented in writing. This documentation must be maintained in departmental records and be available to support the individual transactions recorded under Category 14. As the journals are prepared by delegates with the authority and ability to ensure allowability and accuracy and are subject to the control report reviews, no additional approvals or documentation is required.
- Examples of Category 14 cost transactions include but are not limited to the following:
 - Routine allocation of shared services or service center charges from the default account to the sponsored project account
 - Reassignment of expenses from the current project fund to the subsequent year fund of the same project
 - Reassignment of suspense charges from the intended fund to the subsequent year fund of the same project
 - Reassignment of expenses from a prime to subaccount fund for the same sponsored project
 - Corrections to BEN CNAC,ORG, OBJECT CODE, Program or CREF account code combinations within the same sponsored project fund account
 - Charges from a sponsored project fund to a non-sponsored project fund
 - Obvious Fund Transposition errors (Eg. 564758 instead of 564578)
 - Initial PCARD allocations from the default fund to the sponsored project fund
 - Graduate Student medical coverage resulting from reassignment of a graduate student to a sponsored project
- **Category 15**- This category is used for journal entries for any cost charged to a sponsored project that is a Corrected Cost or a Sponsored Project to Sponsored Project Cost transfer. Corrected costs

include costs initially charged to other accounts *without* documented business reasons. Sponsored Project to Sponsored Project Cost charges cannot be made merely to manage cash flow, resolve a deficit, or resolve an allowability issue. The supporting documentation for Category “15” costs must be maintained in departmental records in accordance with the record retention policy.

Over 90 Day Costs

- **Category 16**- This category is used for all journal entries for any cost charged to a sponsored project that exceeds 90 days from the month end of the original transaction date except reassignment of costs to the same project. The supporting documentation for Over 90 Day Costs and any required agency prior approvals, must be routed to ORS Post Award for review prior to or at the time the journal is prepared. Upon approving Over 90 Day Costs, ORS will post the transactions to the general ledger. The documentation to support the Over 90 Day Costs must be maintained in accordance with the University’s record retention policy. Over 90 Day Cost requests that are not approved must be deleted promptly.

Additional Documentation Requirements:

- Category 15 and 16 costs must be individually supported with additional documentation. The additional documentation should explain the reason for the Corrected Costs (Category 15), the Sponsored Project to Sponsored Project Costs (Category 15), or the Over 90 DAY Costs (Category 16). It must also demonstrate the appropriateness of the charge to the project. Explanations such as “to correct an error” or “to transfer to correct project” are not considered acceptable by regulatory agencies. The explanations for the transfer must be recorded in the BEN journal entry lines at the time the costs are charged using the drop down list below. As required, attachments must also be provided at the time the journal is completed.
 - Incorrect project identified at time of purchase
 - Correct usage/allocation of good and services
 - Source documentation contained an error at time of purchase (award, project, amount)
 - Record Pre-award expenses
 - Sponsored Project account not established at time expense incurred
 - PI identified correction during periodic reviews
 - Other (explanation required)

3. **Measuring, Monitoring, and Audit**

ORS will develop, lead, and maintain a Shared Research Governance Process with representatives from the schools/centers to measure and monitor the control process described above and ensure it is operating as intended. This includes but is not limited to:

- The development, maintenance and monitoring of the proper use of the aforementioned “control reports”
- The development, maintenance and monitoring of the related external audit process and any other related external audits or reviews
- The development, maintenance and monitoring of the annual Uniform Guidance audit timelines and related process which ensure timely meeting of requirements specified by the auditors

The “control reports” will be utilized, at least quarterly, by formally assigned school/center representatives to ensure the following:

- Preparers of journal entries and additional documentation are properly trained,

authorized and have the ability to properly charge costs to special projects such that any required adjustments are minimized

- Costs have been properly categorized in Category 14, 15, and 16
- Additional documentation requirements have been met
- Adjustments including documentation revisions are made prior to the start of the Uniform Guidance annual audit process

RELATED INFORMATION

SPP 2114 Effort Reporting

ROLES AND RESPONSIBILITIES

Principal Investigator

- Responsible for timely charging of allowable, allocable, reasonable costs, to assigned sponsored projects
- Responsible for ensuring that all costs charged to assigned sponsored projects are reviewed and approved by someone with appropriate authority and ability to ensure allowability and proper documentation
- Confirms accuracy and allowability of costs during periodic reviews of effort and other costs charged to assigned individual grants

Business Administrators or Other Delegates

- Ensure timely charging of allowable, allocable, reasonable costs, to assigned sponsored projects
- Ensure that all costs charged to assigned sponsored projects are reviewed and approved by someone properly trained and with appropriate authority and ability to ensure allowability and proper documentation
- Prepare cost journals, as assigned, in the general ledger using appropriate BEN responsibility and journal categories
- Ensure that additional documentation requirements are met for assigned sponsored projects
- Maintain supporting documentation for costs charged to sponsored projects in departmental records
- Periodically reviews effort and other costs charged to assigned individual grants to confirm accuracy and allowability of costs
- Perform assigned “control report” reviews and implement any required corrective actions required at least quarterly as specified above and/or as guided by ORS through the Shared Research Governance Process
- Provide documentation, as needed, to ORS, School representative and auditors for review and monitoring

School and Center Audit Representatives

- Perform or coordinate monitoring activities utilizing “control reports” for assigned departments and provide evidence of reviews to ORS at least quarterly
- Meet with ORS quarterly to review “control reports” and discuss compliance

Office of Research Services

- **Develop, lead and maintain the Shared Research Governance Process**
- **Review requests for Over 90 Day Costs and related documentation and post approved costs to the general ledger**
 - **Promptly inform departments if costs are denied and delete the journal**
 - **Coordinate the “control report” process and meet with Schools and Centers quarterly to discuss compliance**