Manual Journal Entry Grant & Contact Cost Transfers for Expense_FINAL_web

1. Title Page

1.1 Manual Journal Entry Grant & Contract Cost Transfers: Knowledge Building

Notes:
2. Background: Definitions and General Overview

2.1 General Account Management (I)

Background: Definitions and General Overview

General Account Management

Penn’s Financial Policy 1492 on Monthly Closings and Reporting notes that each Department/School is responsible for:

- Reviewing the monthly transaction reports for their respective accounts to ensure the accuracy, completeness and validity of each revenue and expenditure transactions.

Notes:
2.2 General Account Management (II)

Background: Definitions and General Overview

General Account Management

In the case of non-sponsored project funds, you or your Business Office will be responsible for this review.

In the case of Sponsored Project funds (also known as Grant or Contract funds), in addition to the monthly review performed by you and/or your Business Office, a periodic review must be done in conjunction with the Principal Investigator (PI) or their delegate, complete with documentation of that review.

Notes:

2.3 General Account Management (III)

Background: Definitions and General Overview

General Account Management

Regardless of account type, there may be some cases in which you need to adjust or correct a previous transaction.

In general terms -- not specific to Sponsored Projects-- a Cost Transfer is a direct expense that has been posted to the General Ledger (BEN Financials) and will be transferred via manual journal entry from one account to another account.
2.4 What are Cost Transfers?

**Background:**
Definitions and General Overview

**What are Cost Transfers?**

On Sponsored Project funds, adjusting entries that meet certain criteria may be considered a Cost Transfer by regulatory agencies and may be subject to additional regulatory timing and documentation requirements (and may vary by sponsor).

Criteria considerations include but are not limited to:
- Transactions being moved onto a sponsored project from another sponsored project or a non-sponsored project
- Amount of the transaction
- Number of days since the month-end of the original transaction date

**Notes:**
2.5 Why are Cost Transfers Used?

**Background:**
Definitions and General Overview

Why are **Cost Transfers** used?

Overall, **Cost Transfers** are used to “charge” various accounts:

- For intramural goods and services,
- To make adjustments to previous transactions,
- To make cost sharing entries, or
- To perform other billing functions.

Notes:

2.6 When are Cost Transfers Processed?

**Background:**
Definitions and General Overview

When are **Cost Transfers** processed?

University Best Practices are to make any adjustments, corrections, or other entries to correct costs as close to the date of the original transaction as possible.

- Per [Financial Policy 1402](#) accounts are to be reviewed monthly by you and/or the Business Office
- A periodic review with the PI is to be performed and documented
- In general, costs transfers should be performed within 90 days of the month-end of the original transaction date. In extraordinary circumstances, ORS will approve costs exceeding the 90 day threshold.

Notes:
2.7 How are Cost Transfers Processed?

How are **Cost Transfers** processed?

Cost Transfers for *NON-Sponsored Program* Funds are typically created using the "Journal Entry - General" Responsibility in BEN Financials.

Specific detail and examples of these accounting entries can be found in the instructor-led Manual Journal Entry class, as well as in the "Journal Entry - General" User Guide.

Notes:
3. Introduction to Grant and Contract Cost Transfers

3.1 Why are there additional/special procedures for Grant and Contract Cost Transfers? (I)

Notes:
3.2 Why are there additional/special procedures for Grant and Contract Cost Transfers? (II)

Why are there additional/specific procedures for Grant & Contract Cost Transfers?

Recipients are responsible for establishing policies procedures and controls to manage the day to day operations of sponsored program activities, identifying errors and correcting them in a timely fashion.

This includes documentation to support all expenses charged to a sponsored project as well as those subsequently determined to benefit another project.

Notes:
3.3 Why are there additional/special procedures for Grant and Contract Cost Transfers? (III)

Introduction to Grant & Contract Cost Transfers

Why are there additional/specific procedures for Grant & Contract Cost Transfers?

Grantees of federal funding are required to maintain appropriate documentation for cost transfers and ensure adequate controls for timely identification and correction of charges.

Notes:
3.4 Why are there additional/special procedures for Grant and Contract Cost Transfers? (IV)

Why are there additional/specific procedures for Grant & Contract Cost Transfers?

Penn has a series of Sponsored Program Policies (2100) which are designed to help maintain compliance with the “Uniform Guidance” requirements.

Sponsored Program Policy 2113 Cost Transfers and Payroll Reallocations establishes the documentation requirements for cost transfers and the controls to ensure for their timely identification and correction.

Notes:
3.5 Why are there additional/special procedures for Grant and Contract Cost Transfers? (IV)

**Introduction to Grant & Contract Cost Transfers**

Why are there additional/specific procedures for **Grant & Contract Cost Transfers**?

ORS and School/Centers will utilize a control process to measure and monitor transaction activity to ensure compliance. Control reports will be utilized, at least quarterly, to ensure the following:

- Costs have been properly categorized in Category 14, 15, and 16.
- Additional documentation requirements have been met.

Notes:
3.6 Why are there additional/special procedures for Grant & Contract Cost Transfers? (V)

Notes:

3.7 The Rest of This Module (I)

The rest of this module provides additional information on the proper processing and documentation of Grant & Contract Cost Transfers for:

- Business Administrators,
- Grant Managers, or
- Delegates authorized by the PI, or
- Anyone else involved with the financial management of Grant-based funds.
3.8 The Rest of This Module (II)

Notes:

Cost Sharing—the contribution of University resources to Sponsored Projects is not covered here.

If you need to know more about Cost Sharing, please see:

- Policy 2119 Cost Sharing/Matching as well as
- The Office of Research Services Cost Sharing Page.

Notes:
4. Learning Objectives

4.1 Learning Objectives

<table>
<thead>
<tr>
<th>Learning Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demonstrate an understanding of the following on completion of this module:</td>
</tr>
<tr>
<td>• What G&amp;C Cost Transfers are,</td>
</tr>
<tr>
<td>• Why they must be performed,</td>
</tr>
<tr>
<td>• When they must be completed,</td>
</tr>
<tr>
<td>• Their Documentation Requirements, and</td>
</tr>
<tr>
<td>• Be able to differentiate from among several different examples.</td>
</tr>
</tbody>
</table>

Notes:
5. Learning Objective 1: What is a Grant and Contract Cost Transfer?

5.1 What is a Grant and Contract Cost Transfer?

What is a G&C Cost Transfer?

A Grant & Contract Cost Transfer is a Cost Transfer that moves an expense cost from one fund onto a Sponsored Project fund.

If the "fund" segment of the COA being charged is a "5-Fund" (5xxxx) and...

- is greater than $1,000, or
- the month-end of the original transaction date is over 90 day ago

...then you are likely looking at a G&C Cost Transfer.

Notes:
6. Learning Objective 2: Why are Grant and Contract Cost Transfers Performed?

6.1 Why are Cost Transfers Performed?

<table>
<thead>
<tr>
<th>Why are G&amp;C Cost Transfers Performed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>In simplest terms, only transactions that have a direct benefit to a Sponsored Program account may be charged to that account.</td>
</tr>
<tr>
<td>If a transaction charged to a 5-fund (5xxxx) does not meet that criteria, it must be transferred to the account which it benefits or to a departmental unrestricted account.</td>
</tr>
</tbody>
</table>

Note: Tests to determine whether it is appropriate to charge a particular cost to a particular grant (Allowability, Allocability, and Reasonableness) are identified in UC cost principles, as well as in Policy 2110 Federal Direct Cost Expenditures and Policy 2138 Direct Cost Expenditures for Non-Federal Organizations.

Notes:
7. Learning Objective 3: When Must Grant and Contract Cost Transfers be Completed?

7.1 When Must Grant and Contract Cost Transfers be Completed?

<table>
<thead>
<tr>
<th>When Must G&amp;C Cost Transfers be Completed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University Best Practice—to complete Cost Transfer entries as close to the date of the original transaction as possible—still applies, however...</td>
</tr>
</tbody>
</table>

Policy 2113 Cost Transfers and Payroll Reallocations sets an explicit time-limit that, with some exceptions:

Grant & Contract Cost transfers must be completed within 90 days of the month end in which the charge has been posted in the General Ledger (BEN Financials).

Note: Payroll reallocations processed to ensure accurate reporting of effort, for the current effort reporting period, are not included in the definition of cost transfer.

Notes:
7.2 When Must Grant and Contract Cost Transfers be Completed? (II)

When Must G&C Cost Transfers be Completed?

For Example:
- A Purchase Order including items charged to a project in your department was created in late April.
- The invoice for this Purchase Order was received-and paid-by the University in the beginning of May.
- In early June, your review of transaction reports through the end of May identifies an item which should not have been charged to that project...

Notes:

When Should this G&C Cost transfer Be Completed? (Slide Layer)

When Must G&C Cost Transfers be Completed?

As always, the correcting Cost Transfer Journal should be completed as close to the date that the original charge posted in the General Ledger as possible, however, based on Policy 2113 the correcting Cost Transfer for this example must be processed no later than the end of August.

Note that a project's overall schedule and closing cycle must also be kept in mind, as other related deadlines may also impact the time available for processing the Cost Transfer.
7.3 When Must Grant and Contract Cost Transfers be Completed? (III)

<table>
<thead>
<tr>
<th>When Must G&amp;C Cost Transfers be Completed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost transfers made more than 90 days after the month end in which the charge has been posted in the General Ledger, excluding project to non-sponsored project and within same project:</td>
</tr>
<tr>
<td>• Require ORS approval, and</td>
</tr>
<tr>
<td>• Will only be allowed under extenuating circumstances.</td>
</tr>
<tr>
<td>Additional documentation and processing steps may be required as well.</td>
</tr>
<tr>
<td>Exception: Corrections to BEN CNAC, DRG, OBJC, PROG or CREF account code combinations within the same sponsored project fund account.</td>
</tr>
</tbody>
</table>

Notes:
8. Learning Objective 4: What are the Documentation Requirements for Grant and Contract Cost Transfers?

8.1 Documentation Requirements for Grant and Contract Cost Transfers

<table>
<thead>
<tr>
<th>What are the Documentation Requirements for G&amp;C Cost Transfers?</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Grant &amp; Contract Cost Transfers are processed within the Journal Entry - G&amp;C Cost Transfers for Expense responsibility and will fall under one of three categories:</td>
</tr>
<tr>
<td>• <strong>Category 14 ADJUST</strong> is for adjustments under $1,000 and within 90 days of the month end of the original transaction date. Also, 14 ADJUST can be used for certain adjustments greater than $1,000 and/or over 90 days that are not categorized as cost transfers.</td>
</tr>
<tr>
<td>Note: <strong>Category 14 journals will post nightly.</strong></td>
</tr>
<tr>
<td>• <strong>Category 15 G&amp;C UN90</strong> is for cost transfers that are within 90 days of the month end of the original transaction date.</td>
</tr>
<tr>
<td>Note: <strong>Category 15 journals will post nightly.</strong></td>
</tr>
<tr>
<td>• <strong>Category 16 G&amp;C OV90</strong> is for cost transfers that exceed 90 days of the month end of the original transaction date.</td>
</tr>
<tr>
<td>Note: <strong>Category 16 journals require ORS review and approval prior to posting.</strong></td>
</tr>
</tbody>
</table>

Notes:
8.2 Documentation Requirements: Explanation

What are the Documentation Requirements for G&C Cost Transfers?

The Cost Transfer Decision Tree has been developed to assist in determining the appropriate Category for a transaction when processing a cost transfer using the BEN Financials G&C Cost Transfer for Expense responsibility.

Criteria for determining the category include but are not limited to:

- Sponsored project to non-sponsored project
- Correction or reassignment within the same project
- Amount and source of transaction
- <90 day from month-end of the original transaction
- Obvious fund transposition errors
- Medical coverage resulting from Payroll Reallocations
- Prior approval required from sponsoring agency

Notes:

8.3 Documentation Requirements: Explanation

What are the Documentation Requirements for G&C Cost Transfers?

In general, Grant & Contract Cost Transfers must include the following:

- Explanation of the Cost Transfer
- Original Batch Name and Original Period of the transaction being corrected
- Original Source Documentation
- Explanation of the Direct Benefit to the Funding Source
- Approval of Delegate

- Complete Grant & Contract Cost Transfer Documentation is required for Category 15 and Category 16 cost transfers

Notes:
8.4 Documentation Requirements: Explanation

What are the Documentation Requirements for G&C Cost Transfers?

Explanation of the Cost Transfer

Information detailing why the specific cost was not originally charged to the project.

The explanation must provide more explicit detail than the minimal "wrong account charged" or "fixing accounting error".

Notes:
8.5 Documentation Requirements: Original Batch Name and Period

What are the Documentation Requirements for G&C Cost Transfers?

Original Batch Name and Original Period of the transaction being corrected

For audit purposes, the Journal Entry must reference the original transaction.

Notes:

8.6 Documentation Requirements: Original Source Documentation

What are the Documentation Requirements for G&C Cost Transfers?

Original Source Documentation

All charges must be supported by dated original documentation, such as Purchase Orders, Invoices, Receipts, approval emails, etc.

While some original documentation may exist only in hard copy, most items will be available in an electronic format, such as in BEN Financials, or your email server.

All original documentation (electronic or other), must be available and accessible at all times for audit purposes in accordance with Penn’s Policy for record retention.

Notes:
### 8.7 Documentation Requirements: Direct Benefit

<table>
<thead>
<tr>
<th>What are the Documentation Requirements for G&amp;C Cost Transfers?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Explanation of Direct Benefit to the Funding Source</strong></td>
</tr>
<tr>
<td>The appropriateness and scientific nature of the cost must be</td>
</tr>
<tr>
<td>considered prior to processing a transfer. The factors for assessing</td>
</tr>
<tr>
<td>appropriateness— as identified in &quot;UG&quot; cost principles, as well as in</td>
</tr>
<tr>
<td>Policy <a href="#">2111</a> Federal Direct Cost Expenditures and Policy <a href="#">2138</a> Direct</td>
</tr>
<tr>
<td>Cost Expenditures for Non-Federal Organizations are:</td>
</tr>
<tr>
<td><strong>Allowability:</strong> The expense must be permitted by the sponsor and in accordance with University policy.</td>
</tr>
<tr>
<td><strong>Allocability:</strong> The cost can easily be identified with and assigned to the project in accordance with benefits received.</td>
</tr>
<tr>
<td><strong>Reasonableness:</strong> Costs must be necessary for the performance of the award and reflect the action that a prudent person would have taken.</td>
</tr>
</tbody>
</table>

**Notes:**
8.8 Documentation Requirements: PI Approval

What are the Documentation Requirements for G&C Cost Transfers?

As per University Policy 2111 (Cost Transfers and Payroll Reallocations), G&C Cost Transfers will also require documentation of Principal Investigator or Delegate Approval.

Approval documentation may be in the form of:

• A signed and dated fax,
• A memo or letter,
• A log by the PI, or
• Email directly from the PI to the individual executing the G&C Cost Transfers.

Notes:
9. Entering Journals and Adding Attachments

9.1 Entering a Category 14 Journal

Use G&C Cost Transfers for Expense to enter the new journal:

Hover over the numbered icons for additional info...

Notes:
9.2 Entering a Category 15 Journal

Use G&C Cost Transfers for Expense to enter the new journal:

Hover over the numbered icons for additional info...

Notes:
9.3 Entering a Category 16 Journal

**Entering a Category 16 Journal**

Use G&C Cost Transfers for Expense to enter the new journal:

1. [Image of the journal entry screen]

Hover over the numbered icons for additional info...

Notes:

9.4 Adding an Attachment to a Journal

**Adding an Attachment to a Journal**

After Checking Funds:

- Move the cursor to the Journal name field, then click the paperclip icon on the toolbar.
- In the pop-up window, enter “Journal” in the Category field and then click the “Source” tab.
- A new tab will open in your browser window. Use the Browse button to locate the file to be uploaded, then click Submit.
- Return to the Attachment Form in the application and click Yes to confirm the upload.

Be sure to Reserve Funds. The journal will post overnight (14, 15), or upon ORS approval (16).

Notes:
10. SUMMARY

10.1 Summary (I)

1. Penn has a series of Sponsored Program Policies which are designed to help maintain compliance with Uniform Guidance (UG) requirements.

2. Only transactions that have a direct benefit to a specific Sponsored Program account may be charged to that specific account.

3. In some cases, a Cost Transfer will need to be entered to "charge" other accounts for intramural goods and services, or to make adjustments/corrections to previous transactions.

Notes:
10.2 Summary (II)

4. Cost Transfers for Grants & Contracts have specific timeline, processing, and documentation requirements as described in this module.

5. Appropriate Categories must be used when performing cost transfers.

6. The Cost Transfer Decision Tree has been developed to assist in determining the appropriate Category used on the BEN Financials G&C Cost Transfer for Expense journal.

7. ORS and School/Centers are required to monitor transactions to ensure compliance.

Notes:
11. QUIZ

11.1

QUIZ INSTRUCTIONS

MANUAL JOURNAL ENTRY

GRANT & CONTRACT COST TRANSFERS

QUIZ INSTRUCTIONS

You must successfully pass the following Quiz with a score of 100% to complete this training.

If necessary, you may take the Quiz more than once, however the series of questions and answers may change each time.
11.2 Draw from Grant and Contract Cost Transfers

Draw 12 questions randomly from Grant and Contract Cost Transfers

11.3 Untitled Slide

SUBMIT YOUR ANSWERS

You must successfully pass with a score of 100% to complete this training.

If you are ready to complete this quiz, click [SUBMIT]

If you want to check your answers first, click [REVIEW].

11.4 Results Slide

(Results Slide, 0 points, 1 attempt permitted)
Results for

11.2 Draw from Grant and Contract Cost Transfers

Result slide properties

Passing Score 100%

Success (Slide Layer)

Now that you have completed this training, remember to complete or update your BEN Financials Access Request eForm to add "Journal Entry - G&C Cost Transfers for Expense" to your BEN Responsibilities.

For future reference, a printable version of this material, as well as a Quick Reference Guide can be found on the Financial Training Documentation Page.

Click here to FINISH this training and record your results.
Failure (Slide Layer)

12. HELP

12.1 Navigational Help

Notes: