Fiscal Compliance Requirements for Sponsored Programs
Cost Transfers and Payroll Correcting Entries

Published 2010
Learning Objectives

• To understand:
  • Fiscal compliance requirements related to cost transfers and payroll correcting entries
  • Responsibility of Principal Investigator (PI) and Research Administrator
  • Common issues and impact of non-compliance
Definitions

• **Cost Transfers** - A reallocation of costs after the transaction has occurred

• **Payroll Correcting Entry (PCE)** – A correcting journal entry to redistribute payroll to a different funding source

• **Personnel Action Form (PAF)** – University form that establishes planned payroll distribution
Definitions

• **Period of Availability** – The official start and end dates of the sponsored award

• **Research Administrator** – The individual assisting the PI with the administrative management of an award

• **Unallowable costs** – Costs charged to an award not meeting the requirements
Cost Transfers - Overview

• **Types of cost transfers**
  • Correcting Entry (CE)
  • Payroll Correcting Entry (PCE)

• **Transaction types that should not be used for cost transfers**
  • Journal Entry (JE)
  • Internal Service Entry (ISE)
  • Transfer Journal Entry (TRE)
Correcting entries used to:
- Correct Error
- Reallocate Expenses
**Correcting Entry Example**

A minimum of one document reference is required. Business Unit required when selecting Voucher ID or PO(ePro) ID.

<table>
<thead>
<tr>
<th>Reference Type</th>
<th>Reference Number</th>
<th>Business Unit</th>
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<tbody>
<tr>
<td>1. Voucher ID</td>
<td>D0001687</td>
<td>JMSYS</td>
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<td>JMSYS</td>
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<td>7. Voucher ID</td>
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<td>JMSYS</td>
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Submit
Cost Transfers - Overview

- The need for cost transfers are identified during:
  - The monthly managerial review by the PI
  - Effort reporting process
  - Closeout of an award
Cost Transfer Requirements

• OMB Circular A-21 states that costs may not be shifted to other awards to:
  • meet deficiencies from overruns
  • avoid restrictions imposed by law or the agreement
  • for other reasons of convenience
Cost Transfer Requirements

- Cost Transfers must be an **Allowable*** direct cost:
  - Reasonable
  - Allocable
  - Consistent treatment
  - Conform to limitations or exclusions of sponsor
- Directly benefits the sponsored activity
- Within the period of availability

* See APM 60.07 – Allowable Costs/Cost Principles
Cost Transfer Requirements

• The University requirements include:
  • Corrections made within 2 accounting periods after the end of the month in which the original transaction has occurred*
  • Support by sufficient documentation
    • Explain how the error occurred
    • Support an allowable direct charge
    • Maintain in accordance with retention requirements

*See BPM 213 – Adjustment of Income and Expense Items
PCE Requirements

• A PCE is **required** when the difference between actual effort worked and amount charged is greater than 5%

• A PCE is **recommended** when the difference is 5% or less

• Recertify Effort Verification Report if difference is greater than 5%
PCE Example

JOURNAL ENTRY

Fiscal Year:
Journal Id:
Type of Transaction: Payroll Correction
Source:
Journal Status: New Transaction
Budget Status:
Header BU: UMSYS
Employee ID: 10198192
Empl Name: Miller Jr. Dennis K

Journal Date: 03/12/2010
Preparer: Stanley, Stephen A
Transaction Date: 
Posted Date: n/a
Pay End Dt: 01/31/2010

Debit | Credit
--- | ---
0.00 | 300.00
0.00 | 300.00

TOTAL DEBITS: $300.00  TOTAL CREDITS: $300.00

Preparer Comments (A minimum of 20 characters is required.)
To correct the pay for January. Extension had not been received from sponsor on time.

Other Comments
PCE Form - Overview

• Required if PCE is later than 2 months
• Substantial documentation and answers questions of:
  - **Who** - names involved
  - **What** - costs, vouchers, journals
  - **When** - original date
  - **Where** - business unit, department
  - **Why** - reason for transfer
  - **How** - will the error be prevented in the future
Payroll Correcting Entry Form

This form should be completed and sent to Sponsored Programs Office if Payroll Corrections are needed for salary that posted more than two accounting periods prior to the date of this request (BPM-213 Adjustment of Income & Expense Items). The fields shaded in light yellow may be completed using Excel.

Employee's Name: ____________________________  Employee ID: ____________________________
Preparer's Name: ____________________________  Preparer's Phone Number: __________________

Per the requirements of OMB Circular A-21 Section C, please answer the following questions. Answer each question by marking an “X” in either the Yes, No or N/A box and completing the required fields:

Allowability:  Do the terms and conditions of the sponsored project onto which the expenses (i.e. salaries, benefits or both) are being moved allow these types of expenses?  
Yes  No  NA
If yes, does this project currently have salaries and benefits budgeted?  
Yes  No  NA

Availability:  Did the effort of the individual for whom payroll expenses are being transferred occur within the period of performance of the sponsored project to where it is being transferred?  
Yes  No  NA
What is the start date of the project?  
What is the end date of the project?  

Allocability:  Did the effort of the individual for whom payroll expenses are being transferred directly benefit the sponsored project to where it is being transferred?  
Yes  No  NA
If yes, please provide an explanation as to how that individual’s effort benefited the sponsored project to where it is being transferred to:  

Avoid Errors:  If an error occurred resulting in the need for a payroll correcting entry, how will this error be avoided in the future?  

Additional:  Please enter any additional information as to why this transfer is necessary.  

Yes  No  NA
<table>
<thead>
<tr>
<th>Pay End Date</th>
<th>Account</th>
<th>MoCode</th>
<th>Project</th>
<th>Fund</th>
<th>DeptID</th>
<th>Program</th>
<th>Class</th>
<th>Debit Amount (+)</th>
<th>Credit Amount ()</th>
<th>Benefits Amount</th>
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**Required Signatures For Chartfield Where Expenses are Moving From:**

<table>
<thead>
<tr>
<th>Individual Whose Payroll is Being Transferred</th>
<th>Signature</th>
<th>Print</th>
<th>Date</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Principal Investigator or Approved Signer</th>
<th>Signature</th>
<th>Print</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Department Chair or Equivalent</th>
<th>Signature</th>
<th>Print</th>
<th>Date</th>
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</thead>
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## Responsibilities

<table>
<thead>
<tr>
<th>Activity</th>
<th>PI</th>
<th>Research Admin</th>
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<tbody>
<tr>
<td>Overall compliance responsibility</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Knowledge of compliance requirements &amp; attend training</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Administrative fiscal management</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Authorization of costs</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Allowable costs</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Initiate/processes, cost transfers, PCEs and PAFs</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Documentation to support costs</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Common Issues

- Late cost transfers, PCEs
- PCEs not completed to reflect changes in effort >5%
- PAFs not updated to reflect payroll distribution
- Transfers in last 3 months of award
- High volume of cost transfers
Impact of Non-Compliance

• Questioned or unallowable costs
• Repayments to the sponsor
• Fines and/or sanctions
• Subject to additional external audits
• Jeopardize future funding opportunities
• Damage to reputation
Concluding Points

- Perform timely managerial review to ensure all costs transfers are:
  - Allowable
  - Made in a timely manner
  - Supported by documentation
Knowledge Check

• The following are three questions to reinforce the points from this session.
Question 1:

The University’s policy, *BPM 213*, requires a cost transfer to be made within what time period?

a. By the end of the month of the transaction
b. Within 2 accounting periods after the end of the month of the transaction
c. Within 6 months after the transaction
d. As soon as practical
Question 2:

Which of the following is an acceptable reason to make a cost transfer?

a. To spend out unused award budget
b. To meet deficiencies from cost overruns
c. To allocate a multi-business unit expense
d. For reasons of convenience
Question 3:

A PCE is required to be completed when the difference between the actual effort worked on the award and the amount charged through payroll is greater than 5%.

a. True
b. False
Additional Information

- University Accounting Policy – APM – Section 60
- University Business Policy – BPM 213 – Correction of Income & Expense Items
- Other related training available:
  - Financial Compliance Training Website
  - Contact your Sponsored Programs Office for departmental training sessions or further discussion

Please Click Here to Complete the Training Survey