

Cost Transfers, Payroll

Policies

Business Policy Manual: [BPM-213](#), Correction of Income & Expense Items

Business Policy and Procedure Manual: [BPPM 2:190](#), Journal Entries

Forms

[Payroll Correcting Entry](#)

Overview

A cost transfer is a reallocation of costs after the initial transaction has occurred. Cost transfers occur in the regular course of business for two reasons: (1) to properly allocate multi-business unit expenses, and (2) to correct clerical or bookkeeping errors. Cost transfers are not appropriate for (1) spending out an unused award budget, (2) covering cost overruns, (3) avoiding restrictions imposed by law or other agreements, or (4) other reasons of convenience.

Any correction of income and/or expense items between Chartfields should be within two (2) accounting periods (months) after the end of the accounting period in which the original transaction was posted. Every effort should be made to record corrections in the fiscal year in which the original entry occurred.

Federal regulations stipulate that appropriate justification must be documented for all correcting entries (CE). Sufficient documentation includes the following: (1) justification as to why the transfer is necessary; (2) that the charge is allowable and allocable, directly benefits the award, and is within the period of availability; (3) that appropriate approvals are secured; and (4) in the case of error, how the error will be avoided in the future.

The University's effort reporting system is required by federal regulation ([OMB Circular A-21](#)). Recertification of certified effort report(s) may be required as a result of a payroll correcting entry (PCE).

Risk

Inappropriate transfers could result in the disallowance of certain expenditures and/or possible reduction in funding from the sponsor agency. Inappropriate transfers could also jeopardize the reputation of the University and result in fines and sanctions.

Procedure

Principal Investigator (PI) – The PI has the overall responsibility to review award activity to ensure all CEs are allowable and allocable to the applicable projects. In order to have proper oversight, the PI should be aware of the applicable compliance requirements. The PI should request PCEs in a timely manner when corrections are needed to payroll expenses.

Departmental Research Administrator (DRA) – The DRA assists the PI in ensuring that all transactions are properly recorded. The DRA processes expenditures and transactions, provides monthly budget variance reports for the PI to review, prepares cost transfers timely, and maintains documentation for all corrections.

The DRA prepares all PCEs that are less than 60 days after the original transaction. Cost transfers for transactions 60 days or older (two accounting periods) require a [Payroll Correcting Entry form](#); the Department completes the form and submits to OSPA for review, approval, and entry.

Note: The 60-day period is shortened to 30 days for December and June payroll due to effort verification report (EVR) processing.

The Department provides documentation that the transferring salary is allowable on the receiving project, that the expense directly benefits the project, and that the cost transfer will result in a more accurate allocation of expense than the existing allocation.

Concurrently, the Department compares the proposed PCE to the existing certified EVR. If more than a 5% difference in the federal funding line will result, the Department initiates a recertification of the EVR.

OSPA Compliance Team – The Compliance Team reviews the PCE form submitted by the Department (all PCEs for transactions 60 days or older) and recommends approval or disapproval to the OSPA Management. The Compliance Team generates a CE report quarterly and distributes to the Post-award Teams.

OSPA Post-award Team – The Post-award Team monitors award activity and determines with the PI/DRA when PCEs are needed. Quarterly, the Post-award Team reviews the CE report (prepared by the OSPA Compliance Team) for the following: (1) CEs that represent 10% of the total award amount, (2) entries 30 days prior to the award end date, and (3) entries made after the award period. The Post-award Team works with the Department and adds approver comments as needed.

If a PCE proposes a transfer of salary to or from a project that has passed the project period end date, does not include a budget line for salary, or would result in a project being over spent, the Post-award Team Team Lead reviews the PCE. The Post-award Team Team Lead assesses the impact of the PCE on the project and makes a recommendation to OSPA Management for final approval or disapproval. The Post-award Team notifies the PI/DRA if the PCE is denied.

OSPA Management Team – The OSPA Management Team completes the final review of all PCEs. The OSPA Management Team notifies the Compliance Team and Post-award Team if the PCE is denied.

Responsibilities

Below is an outline of responsibilities as they relate to this process.

Principal Investigator:

- Maintains knowledge of compliance requirements.
- Ensures all cost transfers are allowable, properly documented, and made in a timely manner.

Departmental Research Administrator:

- Maintains knowledge of compliance requirements.
- Ensures transactions are properly recorded and supported.
- Ensures Personnel Action Forms (PAFs) are updated timely.
- Prepares PCEs timely.
- Retains supporting documentation according to the record retention requirements outlined in the terms and conditions of the applicable award or according to University record retention policies, whichever is more conservative.
- Provides supporting documentation to OSPA.

Office of Sponsored Programs Administration:

- Reviews PCEs for transactions 60 days or older.
- Monitors payroll distribution compared to EVRs.

Need Help?

If you have questions or comments about this procedure or the required form, contact OSPA at muresearchospa@missouri.edu or call (573)-882-7560.

Related Topics

Record Retention (in development)

Creation Date

05/29/2013

Latest Revision Date

05/29/2013