



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 Entry Example

https://fscf.umsystem.edu/je/entry.cfm - Windows Internet Explorer

https://fscf.umsystem.edu/je/entry.cfm

File Edit View Favorites Tools Help

https://fscf.umsystem.edu/je/entry.cfm

Fiscal Year: 2010

JOURNAL ENTRY

Journal Date: 02/26/2010

Journal Id:

Type of Transaction: **Correcting Entry**

Preparer: Stanley, Stephen A

Trans Ref Num:

Journal Status: New Transaction

Transaction Date:

Source:

Budget Status:

Posted Date: n/a

Header BU: UMSYS

Create Reversal Next Month

Description: Distribute costs to grants

Ln	MoCode	Account	BU	Fund	DeptId	Pgm	Project	Class	Debit	Credit	Line Description	BP	Edit	Bdg	Aprvd
1	A0388	721000	UMSYS	0000	A0701004	0	00	0		1500.00	Business travel & meetin				
2		721000	COLUM	2280	A0204004	0	00020106	0	1500.00		Business travel & meetin				
3															
4															
5															
6															
7															
8															
9															
10															

TOTAL DEBITS \$1,500.00 **TOTAL CREDITS** \$1,500.00

MOVE EXPENSE TO/ MOVE EXPENSE FROM/
MOVE REVENUE FROM MOVE REVENUE TO

Preparer Comments (A minimum of 20 characters is required.)

Redistribute costs originally paid from the central operating DeptId to the grant.

Correcting entries used to:

- Correct Error
- Reallocate Expenses

Correcting Entry Example

https://fscf.umssystem.edu/je/entry.cfm - Windows Internet Explorer

https://fscf.umssystem.edu/je/entry.cfm

File Edit View Favorites Tools Help

https://fscf.umssystem.edu/je/entry.cfm

Home RSS Print Page Tools

DOCUMENT REFERENCES FOR ENTRY 0007240528

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

Reference Type	Reference Number	Business Unit	Reference Type	Reference Number	Business Unit	Reference Type	Reference Number	Business Unit
1. Voucher ID	00091687	JMSYS	2.			3.		
4. Voucher ID	00092883	JMSYS	5.			6.		
7. Voucher ID	00080231	JMSYS	8.			9.		
10.			11.			12.		
13.			14.			15.		

Submit

Internet 100%

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*

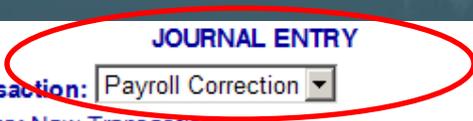
PCE Requirements

- 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

MISSOURI

JOURNAL ENTRY



Fiscal Year:
 Journal Id:
 Source:
 Header BU: **UMSYS**
 Employee ID: 10198192
 Type of Transaction: **Payroll Correction**
 Journal Status: New Transaction
 Budget Status:
 Journal Date: 03/12/2010
 Preparer: Stanley,Stephen A
 Transaction Date:
 Posted Date: n/a
 Empl Name: Miller Jr,Dennis K
 Pay End Dt: 01/31 /2010

Ln	MoCode	Account	BU	Fund	Deptid	Pgm	Project	Class	Debit	Credit	Empl Rcd	Ern Cd	Job Cd	BP	Edit	Bdg	Aprvd
1	DDL91	701000	GOLUM	0000	G1675036	0	00025018	0	0.00	300.00	0	CRG	0930				
2	DDL95	701000	GOLUM	2285	G2604044	0	00025018	0	300.00		0	CRG	0930				
3																	
4																	
5																	
6																	
TOTAL DEBITS									\$300.00	\$300.00	TOTAL CREDITS						

MOVE EXPENSE TO/ MOVE EXPENSE FROM/
 MOVE REVENUE FROM MOVE REVENUE TO

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 310 Jesse Hall 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:

	Yes	No	N/A
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?			
If yes, does this project currently have salaries and benefits budgeted?			
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?			
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?			
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?			
Transfer: Other than the explanation given under "Allocability," please provide any additional information as to why this transfer is necessary.			

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Pay End Date	Account	MoCode	Project	Fund	DeptID	Program	Class	Debit Amount (+)	Credit Amount (-)	Benefits Amount

Required Signatures For Chartfield Where Expenses are Moving From:

Individual Whose Payroll is Being Transferred	Signature	Print	Date
Principal Investigator or Approved Signer	Signature	Print	Date
Department Chair or Equivalent	Signature	Print	Date
Dean or Equivalent	Signature	Print	Date

Required Signatures for Chartfield Where Expenses are Moving To:

Principal Investigator or Approved Signer	Signature	Print	Date
Department Chair or Equivalent	Signature	Print	Date
Dean or Equivalent	Signature	Print	Date

PCE Form – Top

MISSOURI

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:				
		Yes	No	N/A
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?			
	If yes, does this project currently have salaries and benefits budgeted?			
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?			
	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?			
	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?			
Transfer:	Other than the explanation given under "Allocability," please provide any additional information as to why this transfer is necessary.			

PCE Form - Bottom

Chartfield Transferring To (+) and Transferring From (-)										
Pay End Date	Account	MoCode	Project	Fund	DeptID	Program	Class	Debit Amount (+)	Credit Amount (-)	Benefits Amount
Required Signatures For Chartfield Where Expenses are Moving From:										
Individual Whose Payroll is Being Transferred										
						Signature	Print	Date		
Principal Investigator or Approved Signer										
						Signature	Print	Date		
Department Chair or Equivalent										
						Signature	Print	Date		
Dean or Equivalent										
						Signature	Print	Date		
Required Signatures for Chartfield Where Expenses are Moving To:										
Principal Investigator or Approved Signer										
						Signature	Print	Date		
Department Chair or Equivalent										
						Signature	Print	Date		
Dean or Equivalent										
						Signature	Print	Date		

Responsibilities

Activity	PI	Research Admin
Overall compliance responsibility	X	
Knowledge of compliance requirements & attend training	X	X
Administrative fiscal management	X	X
Authorization of costs	X	
Allowable costs	X	
Initiate/processes, cost transfers, PCEs and PAFs	X	X
Documentation to support costs	X	X

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**