

## Oklahoma State University Policy and Procedures

|  |   |
|--|---|
| <b>RETROACTIVE COST TRANSFERS RELATING TO<br/>SPONSORED AGREEMENTS</b> | <b>4-0136<br/>Administration<br/>and Finance<br/>May 2011</b> |
|--|---|

### **GENERAL STATEMENT**

1.01 It may become necessary to make correcting journal entries (retroactive cost transfers) to ensure that original charges and/or credits are recorded in the proper account, fund group, department, project, and expenditure code. A “Retroactive Cost Transfer” form should be completed and submitted to Grants & Contracts Financial Administration for final approval and processing. Retroactive cost transfers to correct charges/credits other than payroll related costs are recorded on a Grant Retroactive Cost Transfer Form (<http://vpaf.okstate.edu/gcfa/links.htm>). Payroll retroactive cost transfers for correction of labor and benefit charges are recorded on an “HRS Reallocation or Recast Transaction” form. See paragraph 4.01 for details on this type of retroactive cost transfer.

### **POLICY STATEMENT**

2.01 Individuals responsible for sponsored agreement administration may request reclassification of accounting data. Since the original entry is presumed to have been approved after review, any change should be fully justified. The department/unit must ensure that funds are available to permit any transfer of charges/credits. Relevant documentation and justification should be provided in order to permit subsequent reviewers (college or unit fiscal officer/research director, GCFA) to evaluate the appropriateness of the cost transfer. Please note: Lack of funds or excess funds is not valid justification for moving expenses from one grant to another.

2.02 Retroactive cost transfers for the purpose of expending available funds remaining on a sponsored project are not allowable. Other unacceptable purposes for retroactive cost transfers include circumventing award restrictions, avoiding a cost overrun by charging another unrelated agreement, transferring an item which applies to a closed fiscal year, or moving expenses to an account to expend all funds before it expires.

Regulations governing cost transfers are specified in OMB Circular A-21 2 CFR 220 and in certain federal sponsors’ regulations:

“Any costs allocable to a particular research (sponsored) agreement...may not be shifted to other research (sponsored) agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the research agreement, or for other reasons of convenience.” (Circular A-21, §C.4.b. Codified 2 CFR Part 220, Appendix A, C.4.b)

“...Frequent, tardy, and unexplained (or inadequately explained) transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the institution’s accounting system and internal controls.” (PHS Grants Administration Manual)

## CRITERIA FOR COST TRANSFERS

3.01 A “Retroactive Cost Transfer” form should be used to request, document, justify, and certify a correction to the accounting records. Transfers should be made within 90 days (3 months) from the end of the month that the charge appears on the Accounting 20XX report(s) or within 90 days (3 months) from the end of the month when an error is found. For example, if the cost to be transferred is recorded on 1/7/2011, then the retroactive cost transfer should be processed within 90 days of 1/31/2011 (by 4/30/2011). After the 90-day period, a letter with written explanation of tardiness or certification of change should be included with the normal justification for transfer.

### 3.02 Acceptable Criteria for a Retroactive Cost Transfer

A retroactive cost transfer is justified in the following circumstances:

- A. Clerical and data entry errors--Any request to correct a clerical error should be accompanied by an explanation of how the error occurred. The correcting entry must include a statement certifying that the adjusted charge/credit is correct and appropriate. Any explanation that merely states that the transfer is made “to correct error” or “to transfer to correct project” is not sufficient. Frequent errors in the recording of costs may indicate the need for improvements in the grantee’s accounting system and/or internal controls.
- B. Pre-award costs that are specifically authorized in writing by the sponsor--A department or research unit may, at its own risk, incur obligations and expenditures to cover costs prior to the beginning date of an award if the following criteria are met: 1) costs incurred are considered necessary for the conduct of the project, 2) costs are allowable under the potential award, and 3) sponsor’s written prior approval is obtained when required.
- C. Pertinent information is received subsequent to the date of original entry.
- D. It was impractical or impossible to allocate charges at the time of the original entry. (i.e. sponsor guidelines clarified or subcode changes)
- E. An award fails to materialize and charges have been incurred on the grant/contract account. Costs incurred subsequent to the anticipated effective date of the award will need to be transferred. At times, principal investigators are notified verbally or by memo that an award is forthcoming. If, for any reason, the award is not received as anticipated, a request may be necessary to transfer any charges made to an emergency account.

## DOCUMENTATION FOR RETROACTIVE COST TRANSFERS

4.01 A “Grant Retroactive Cost Transfer” form should be supported by documentation that contains a full explanation and justification for the transfer. Documentation consists of either 1) a copy of the original invoice document **or** 2) the Accounting Report showing the transaction(s) charged/credited to the incorrect account.

### Payroll Charges

Retroactive cost transfers correcting labor and benefit charges are subject to guidelines set by the OSU Personnel Services. This type of retroactive cost transfer is recorded on an “HRS Recast or Reallocation Transaction” form. Documentation for the transfer should consist of a copy of the HRS Report (Report of Detail Payroll Accounting Transactions). The certification and approval of an HRS Reallocation or Recast Transaction form relating to a grant account also must follow the same procedure as stated in 4.01 above. HRS Reallocation and Recast Transaction forms that impact grant accounts are routed through GCFA prior to HRS processing.

The procedures stated in this policy are not affected or eliminated as a result of utilizing the HRS On-Line Labor Distribution system. When it is necessary to transfer labor and benefit charges between a grant account and another account, it is still imperative that the HRS Reallocation or Recast Transaction form be used. While it is possible to modify the labor distribution for an employee on-line (for a future time period), this modification would not correct previous labor distribution percentages and the labor and benefit dollars charged to an account.

Revisions to the effort (and corresponding dollars) of personnel charged or credited to a grant account should reflect the Monthly Time and Effort Confirmation Reports (“time and effort” reports) that have been certified for the pay period(s) corrected.

### ACTIVITIES IN LEDGER 1 ACCOUNTS

5.01 Charges/credits applicable to a Ledger 5 account (grant/contract) but originally charged to a Ledger 1 account (e.g., 1-1-XXXXX; 2-1-XXXXX; 3-1-XXXXX, etc.), should be processed on a Grant Retroactive Cost Transfer form for amounts no less than \$25.00 (total of transactions on form should be at least \$25.00). A Campus Vendor Invoice (CVI) form may not be used except for tuition and fees charges (subcode 8705). Because a CVI requires both a revenue and an expenditure subcode, it is not appropriate to transfer an expense to a Ledger 5 account from an account in another ledger. Doing so will create double entries for the same expense: one in Ledger 5 and the other in the originating ledger (e.g., Ledger 1).

The purpose of the CVI form is to charge sales and services to other campus departments. Departments which typically use CVI forms are Stores and Recharge Accounts (Ledger 2), Auxiliary Enterprise (Ledger 3), Library, and Organized Activity (X-1-4XXXX) accounts. In order to maintain the proper audit trail, any corrections to a CVI form should be processed by the vendor who created the original CVI charge.

For more information regarding transactions from a Store account, see OSU policy “*Stores.*” Also see related OSU policy, “*Recharge Accounts and Sponsored Agreements.*”

#### APPROVAL OF RETROACTIVE COST TRANSFERS

6.01 The Principal Investigator must certify on the form the following: (1) the change indicated on the grant/contract is correct; (2) the costs are allowable; (3) funds are available to make the transfer; and (4) the grant/contract benefits directly from the respective charges. The following approval signatures are required for the transfer:

- A. Principal Investigator
- B. College/Unit Fiscal Officer
- C. GCFA