Department Administrative Policy and Procedures

Subject: **Expenditure Correction / Cost Transfer Policy**
Effective Date: July 1, 2019, Revised September 1, 2023

I. PURPOSE

The University of Wyoming ("University") has established this policy to ensure compliance with Federal and other sponsor requirements regarding expenditure corrections. This policy outlines the necessary steps for processing expenditure corrections/cost transfers in a timely manner and provides guidelines for justification and documentation. Principal Investigators (PIs) hold the responsibility for ensuring compliance with this policy.

For the purposes of this policy, expenditure corrections and cost transfers shall have the same meaning. Expenditure corrections shall be used hereafter.

The purpose of this policy is to assure the integrity of the University's charging practices for expenses transferred to a sponsored project account after its original charge elsewhere in the University's accounting system.

When expenditure corrections to move expenses involve sponsored project accounts, it is critical that the correction meets the requirements for allowability, allocability, reasonableness and consistency.

Additionally, this guideline is issued to ensure compliance with sponsor terms and conditions, regulations, and University policies.

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring.

- Frequent cost expenditure corrections;
- Late expenditure corrections;
- Inadequately documented or explained corrections, especially those which involve sponsored projects with overruns or unexpended balances.

This policy is applicable to all colleges, departments, units, and personnel of UW involved in administering sponsored projects.

II. DEFINITIONS

Expenditure Correction– An expenditure correction is an after-the-fact reallocation of a non-salary expense associated with a sponsored project after the expense was initially charged to another sponsored program or non-sponsored project. Expenditure corrections should be made within 90 days of the original charge

Salary Adjustments - Salary changes made within 90 days of the original expense are considered best practice, after-the-fact reviews and not included as an Expenditure Correction.

Late Expenditure Correction – An after-the-fact reallocation of an expense, whether salary or non-salary, is considered a late expenditure correction when it is submitted more than 90 days after the original charge. Late expenditure corrections are considered high risk and should be the exception rather than the norm. As such, they require approval from OSP management and additional justification. The justification should address the corrective action taken to prevent similar issues in the future.

III. POLICY

The University is committed to ensuring that all expenditure corrections comply with sponsor terms and conditions, regulations, and University policy. Key points of the policy include:

1. Documentation and Explanation: Expenditure corrections must be supported by documentation providing a thorough explanation of the error's nature and its relationship to the project. General explanations such as "to correct an error" or "to transfer to correct grant" are unacceptable.
2. Direct Benefit Requirement: Transfers of costs between or to any sponsored project are only allowed when there is a direct benefit to the project being charged. Transferring costs solely to resolve a deficit or allowability issue is not permitted. An overdraft or any direct cost item incurred in the conduct of one sponsored project may not be transferred to another sponsored project merely for the sake of resolving the deficit or allowability issue.
3. Timeliness: Expenditure corrections should be prepared and submitted promptly upon identification, ideally within 90 days from the date of the original transaction. Near the project end date, a shorter expenditure correction period may be necessary. Final financial reports are typically due to sponsors within 90 days after the project end date. This requires that all expenditure corrections be completed expeditiously.
4. Obligation for Incorrect Charges: The University is obligated to remove incorrect charges made to sponsored projects as soon as they become known regardless of timeframe.

IV. ROLES AND RESPONSIBILITIES

Principal Investigator (PI): The PI holds fiduciary responsibility for the management and administration of the sponsored project in accordance with sponsor and University guidelines. The PI's roles and responsibilities include:

- Regular Review of Charges: The PI must review all charges on the project(s) regularly, with a best practice of monthly reviews. This ensures oversight and accountability for project expenses.
- Compliance with Guidelines: The PI is responsible for ensuring that all expenditure corrections align with sponsor and University guidelines. They should actively participate in the justification and documentation process for expenditure corrections.

Departmental Administrator *(or grant accountant)* – Assists the PI in the financial and administrative management of sponsored projects, including processing of expenditure corrections. This person ensures timely reconciliations, accurate recording of financial activity, and completion of approved expenditure corrections

Office of Sponsored Programs (OSP) – OSP is responsible for reviewing and approving expenditure corrections.

V. ATTACHMENT: SAMPLE DOCUMENTATION

Below are several examples of expenditure correction documentation which do not meet the requirements described above, a description of the improvements needed in the documentation, and a suggestion as to how the description could be improved to meet the requirements. Acceptable explanations need to include the following:

- Description of the expense being transferred, including the original date incurred;
- Explanation of how the error occurred on the wrong project/account;
- Explanation of why it is appropriate to charge the receiving project.

1. Questionable explanation: Transfer of supplies that were charged to the department in error.

   Issue: This explanation does not adequately explain why the wrong COA or POET string was charged and why/how the charge is appropriate to the project being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the project being charged is appropriate and how the amount being transferred was determined.

   Acceptable explanation: The supplies being transferred were purchased by a graduate student working on the project. The graduate assistant assigned the wrong COA or POET string (departmental fund) as the supplies were used to support the sponsored project.

Going forward, the graduate student has been advised of the importance of assigning the correct COA or POET string.

2. Questionable explanation: Transfer overage to related project.

   Issue: The transfer of overages from one project to another is not permitted. If expenses are being moved between two interrelated projects, the expenditure correction description should clearly identify which costs are to be shared, the proportions in which the awards will share the costs, and a clear indication of how the amount to be shared was determined.

   Acceptable explanation: The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects, thus 50% of the cost of the highlighted items is being transferred.

3. Questionable explanation: To correct COA or POET string that was incorrectly charged due to clerical error.

   Issue: Insufficient explanation of why and how the clerical error occurred, and why the error was not caught earlier. In general, this explanation is only adequate if a transposition error occurred, and such circumstances should be included in the description.

   Acceptable explanation: The research assistant in the lab who ordered the supplies used a POET string of a project which was terminated. He has been instructed to use the current POET string for the award.

4. Questionable explanation: To charge a portion of a lab technician's salary to a different project.

   Issue: The reason for the correction is missing, and there is no indication of why the HCM assignment costing was not updated timely to reflect the necessary change. The description should be expanded to include a description of the individual's role on the project, the portion of his/her salary being moved, and how the portion of salary being moved was determined.

   Acceptable explanation: Transfer 50% of the lab technician's salary to Dr. Smith's project. This individual performed experiments with mice and was splitting his time between Dr. Smith's NIH award and his NSF project, but the PI did not notify anyone to update his costing for his labor distribution. We have talked with the lab technician and Dr. Smith to ensure that more timely information about the activities in the lab which impact the salary distributions be shared in the future with our HCM specialist to ensure that such errors in costing do not occur in the future.

5. Questionable explanation: Distribution change was not processed in time.

   Issue: The explanation does not adequately address why the change was not processed in time. The description should be expanded to better explain the circumstances of the delay

in processing the distribution change and the specific plan to avoid such occurrences in the future.

Acceptable explanation: The administrator was informed of a faculty member's effort distribution change after the HR deadline for changes related to the January payroll. The faculty member has been requested to communicate changes in effort in a timelier manner in the future in order to avoid such circumstances.

6. Questionable explanation: Move charge from department.

   Issue: The reason for the correction is not stated. The description should be expanded to explain how the charge benefits the project being charged and why the charge was not originally posted to the project.

   Acceptable explanation: These charges were associated with the sponsored award that started December 1. However, the official award documentation was not received to setup the award in the Oracle PPM system until January 15.

Responsible Division/Unit: Administration Division, Office of Sponsored Programs
Links:
Uniform Guidance 200.400 – Subpart E – Cost Principles
https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E
Associated Regulations, Policies, and Forms:
Approved: