Sponsored Program Salary Cost Transfer Policy

A. Purpose

OUHSC receives substantial funding from the federal government and other sources in the support of sponsored programs. Office of Management and Budget Uniform Guidance, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires recipients of federal funding to maintain a system that documents and supports individual distribution of activities and associated payroll charges to sponsored agreements. OUHSC applies these standards to all sponsors through the Time and Effort Report system which is driven by salary information recorded in the University’s payroll system.

In accordance with OMB Uniform Guidance, whenever it is apparent that a significant change in work activity that is directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented on the Time and Effort Report and a cost transfer will be submitted to correct the payroll in the general ledger.

B. Covered Parties

This policy applies to all individuals with salaries and wages supported by sponsored awards.

C. Definitions

Effort: Effort is the time spent on any University activity by an individual, expressed as a percentage of the individual’s Total University Effort (excluding PPP, one-time payments, and administrative supplements).

Effort Certification: Effort Certification is the certified affirmation by the individual completing each Time and Effort Report that the percentages of effort reported on the form are accurate and reasonably reflect their professional activity during the reporting period.

Cost Transfers: Cost transfers are the reassignment of expenses to or from sponsored projects after initially being charged to a separate funding source.

Salary Adjustments: Salary adjustments are the transfer of payroll expenses to or from sponsored projects after initially being charged to a separate funding source.

D. University Policies

Principal Investigators and Department Administrators should ensure charges to sponsored projects are accurate and in accordance with direct charging practices described in OMB Uniform Guidance and university policy. On a monthly basis, the Department Administrator should run financial queries and reconcile each sponsored project. The administrator should work with the PI to review these reconciliations to identify legitimate errors.

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Salary adjustments are allowable if they are initiated to correct such errors, made on a timely basis and include appropriate justification and supporting documentation. Moreover, the costs being transferred must be allocable to the award the charges are being transferred to, if applicable.

The University’s records must contain appropriate documentation supporting an adequate evaluation of the transfer. The results must be accurate and complete. Frequent, tardy, or inadequately explained transfers, especially when they involve accounts with cost overruns, raise questions about the appropriateness of the transfers themselves, as well as the overall reliability of our accounting system and internal controls. As such, all salary adjustments involving sponsored projects must be reviewed and approved by Grants and Contracts Accounting.

E. Processing Salary Adjustments

When submitting a Salary Cost Transfer in the PeopleSoft bolt-on the following principles must be followed:

- Exclude the fringe calculation in the adjustment amount
- Requests for transfers in excess of 90 days from the original transaction date require additional documentation and approval as noted below

All salary transfers must be properly documented in the PeopleSoft Cost Transfer bolt-on must include the following information:

If within 90 days of the original transaction date:
- Justification supporting the necessity of the transfer.
- A detailed explanation of what caused the error and how it was discovered. An explanation that states “to correct a clerical error” or “transfer to correct grant or contract” is not sufficient.

If in excess of 90 days of the original transaction date: In addition to the information listed above, the following is necessary:
- The reason for the delay in processing the adjustment.
- Identification of the controls that will be implemented or what action has been taken to ensure the error does not occur again.
- Approval by the Principal Investigator.

All Salary Cost Transfers are reviewed along with all supporting documentation and may be rejected or approved by Grants and Contracts Accounting on an exception basis. A common exception involves the set-up of a sponsored program source with an award date occurring in the past, also known as a “late award.” When appropriate, the department is encouraged to request an advance account (ECAV) to ensure charging is allocated to the appropriate funding source.

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Salary transfers made simply to “spend down” a sponsored project with available funding or to meet deficiencies caused by overruns or other fund considerations will not be approved. Transfers from sponsored program sources to unrestricted accounts (e.g.: departmental budgets) will always be allowed and must be completed in a timely manner to ensure accurate reporting to sponsors.

F. Effort Certification

Salary payments from sponsored projects require certification of Time and Effort Reports (T&E) that the salaries and wages charged to sponsored projects are consistent, fair, and timely with the effort contributed. In accordance with federal regulations, the T&E report must be updated to reflect the accurate salary distribution corresponding to the expended effort. If the percentages on the T&E reports do not reflect the true level of effort, a salary adjustment must be performed.

Consequently:

If the adjustment being requested affects an original transaction date for which a T&E reports has been printed and distributed, federal regulations require that the % of Total Effort column on the employee’s T&E report be corrected to reflect the accurate salary distribution corresponding to the effort expended. The employee’s certified T&E report must be submitted with the salary cost transfer.

If the adjustment being requested changes the effort percentages for an employee whose T&E report has previously been certified and submitted, that T&E report must be revised to include the adjustment and attached to the cost transfer. The cost transfer must be approved by the Principal Investigator and contain a detailed explanation of the need for the adjustment and subsequent recertification. All documentation must be approved by the Assistant Controller of Grants and Contracts Accounting. Approval of recertifications will be rare in nature. Recertification is a sign of poor internal controls and the cost transfer justification will need to document how the controls will be improved in the future. If a pattern of recertifications is observed, the matter will be forwarded to Internal Audit and the Vice President for Research.

G. Related Policies and References

OMB Uniform Guidance
NIH Policy Manual

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