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Research Administrators Monthly Meeting August 2018

Announcements

- Welcome new ORS staff

- FY19 Fringe Benefit rates published (8/7/18)

  https://research.uic.edu/sites/default/files/UIC_FY19-Facilities-Administrative%20%28F%20%26%20A%29-2018-08-07.pdf

- FY19 State of Illinois F&A rates published! (7/9/18)

  https://research.uic.edu/sites/default/files/Chicago-FY19-Final-State-of-Illinois-F%26A-Rates.pdf

- GCO website moved to OVCR homepage:

  http://research.uic.edu/gco

- UIC (Etzer Cantave from Grants and Contracts and Faith Thurmond from Applied Health Sciences) partnered with Ms. Cynthia Atkins-Woods from Georgia State University and presented at the NCURA 60th Annual meeting on budget preparation and post-award strategies!

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ORS Education & Training

The Office of Research Services (ORS) is committed to providing training and support to all faculty and staff involved in sponsored program activities and research administration. Sponsored program education is often a combined effort among centralized units such as ORS, the Office of Grants and Contracts (GCO) and various other regulatory offices engaged in the research administration process.

Upcoming Training

Ongoing/Previous Training

⊙ Research Administrators Monthly Meetings

2018

- Federal Agency Updates (Februray)

- Pre/Post Award Guidance on PI Departures (March)

- Sponsored Project Closeout (April)

- Demystifying the Carryover Process (May)

- Office of Procurement Diversity (June)

- State Contracting (June)

- Identifying Unallowable Costs on Sponsored Projects (July)

3   http://research.uic.edu/sponsored_programs/education

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Cost Transfers on Sponsored Projects

Mee Mee Lee-Choi, Senior Associate Director
Grants & Contracts Office

Katrina Lopez, Assistant Director
Grants & Contracts Office

Agenda

- Review Cost Transfer Policy
- Expectations for department administrators
- Review common issues & questions
- Case studies
- Questions/Discussion

Learning Objectives

Participants will:

- ✓ Discuss what a cost transfer is
- ✓ Review the policy on Sponsored Projects Cost Transfers
- ✓ Common reasons for rejection
- ✓ How to find rejection messages & resubmit
- ✓ Discuss techniques for managing cost transfers
- ✓ Test your knowledge with case studies

What is a Cost Transfer?

➤ A cost transfer is a reallocation or redistribution of a previously charged expenditure transferred from one system fund to another fund after the charge has been posted in Banner.

  ■ **TIP:** *A journal voucher (JV) is the vehicle used to process a cost transfer. This is why you may hear the term "JV" to refer to a cost transfer. While most non-salary cost transfers are done via JV, JV's are used to process other types of transactions.*

University Policy

OBFS Policies and Procedures

Section 16-Grants & Research Contracts - Sponsored Projects

Cost Transfers

- Costs should be charged to the appropriate sponsored project when first incurred.

- Cost transfers (CT) are done to reallocate or redistribute expenditures to a sponsored project <u>subsequent to the initial recording</u> of the charge.

- CT's should be initiated promptly <u>and supported by documentation</u> justifying the transfer.

- <u>Principal Investigators (PIs) are responsible</u> for managing their sponsored projects to minimize the need for cost transfers.
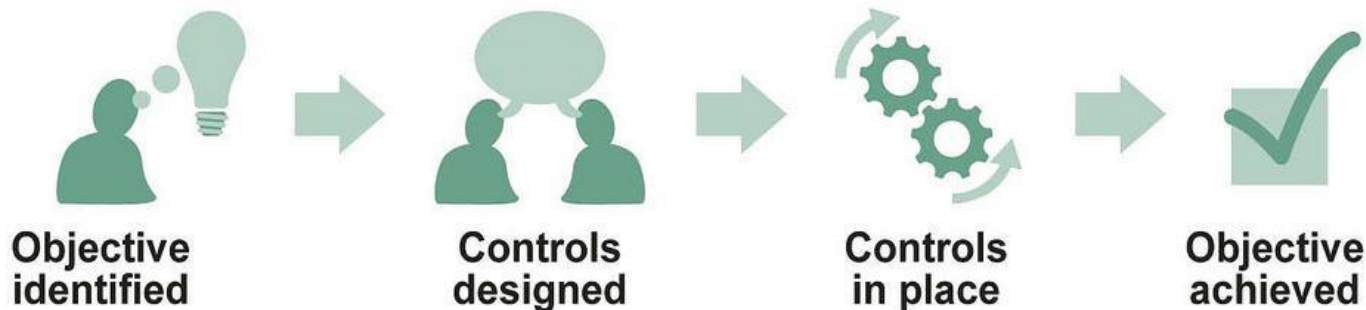
APPROVAL

WHAT YOU DO
EVERY DAY
MATTERS
MORE THAN
WHAT YOU DO
ONCE IN A WHILE.

Reason for the Policy

- Federal agencies and other sponsors regard the following [cost transfer] activities as indicative of inadequate control systems:
  - Frequent cost transfers
  - Late cost transfers
  - Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Objective identified → **Controls designed** → **Controls in place** → **Objective achieved**

Source: GAO. | GAO-14-704G

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Applicability of the Policy

- The policy on cost transfers applies to all **federal and non-federal** sponsored projects.

- Transfers must be submitted within 90 calendar days of the original transaction date in Banner to be considered a **current** cost transfer.

- When transfers are not adequately justified, or are made for inappropriate reasons, the **campus unit is responsible for transferring** the expenses to a non-sponsored departmental account.

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Basic Principles & Expectations

- In order for cost transfers to be allowable, the expense must be:

  - An allowable charge to the project as defined by the system policy, sponsor's policy, and the terms and conditions of the award;

  - Allocable as a direct charge to the project and provide benefit to the project;

  - Incurred during the period of performance;

  - Treated consistently across like circumstances; and

  - Cost transfers should be completed as soon as the need is detected and non-current transfers (older than 90 calendar days) should be kept to an absolute minimum.

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Examples of Allowable Cost Transfers

- Transfer pre-award costs from *unrestricted* unit holding fund if pre-award costs are approved by the sponsor.

- Move costs that were temporarily charged to an unrestricted fund prior to a new or renewal sponsored project being fully executed.

- Correct typographical or data entry errors.

- Correct **chart or fund** codes of the C-FOAPAL string.

- Redistribute labor expenses to reflect actual effort expended.

- Reallocate expenses for shared goods and services that benefit more than one sponsored project.

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Examples of **Unallowable** Cost Transfers

- Move costs that do not directly benefit the project.
- Transfers from one budget or project period to the next solely to avoid overdrafts (i.e., parking charges).
- Transfers from one sponsored project C-FOAP in overdraft status to another sponsored project C-FOAP for the sole purpose of eliminating overdraft (i.e., also parking charges).
- Transfers to a project having an unexpended balance for the purpose of spending the remaining balance.
- Transfers in which the sponsored project C-FOAP was being used as a "holding" fund to redistribute expenses to other fund codes.

Exceptions to the Policy

❖ Correct data entry errors in the C-FOAPAL string related to the **org, account, program, or activity code**.

❖ Reallocate charges between active funds established for the same sponsored project with the **same grant code**.

❖ Remove expenditures by transferring charges to a non-sponsored fund.

❖ Post original intra-University billings.

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Exceptions to the Policy (cont'd)

- Process administrative adjustments such as entries by the Grants and Contracts Office (GCO) or University Accounting and Financial Reporting (UAFR) to correct F&A assessments, fringe benefit errors, small balance adjustments, cost of education or administrative allowances, etc.

Although these exceptions are not considered cost transfers and do not need Form GC81: Cost Transfer Justification For Sponsored Projects, you should still maintain adequate documentation.

Uniform Guidance

2 CFR 200.400 – Subpart E – Cost Principles

Basic Considerations

❖ 200.403 – Factors affecting **allowability**.

- Necessary and reasonable for the performance; in accordance with UG & University policies; consistent treatment; adequately documented

❖ 200.404 – **Reasonable** costs.

- Generally recognized as ordinary & necessary; market prices; acting in prudence; consistent treatment

❖ 200.405 – **Allocable** costs.

- Incurred specifically for the award; benefits the award and other work; must be allocated based on proportional benefit with little effort/cost; or any reasonable documented basis if the proportional benefit cannot be determined due to the interrelationship of the work.
- Any cost allocable … may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons.
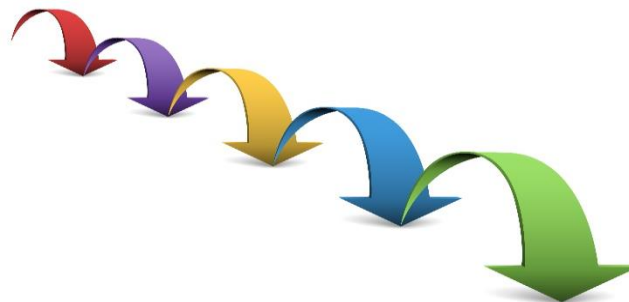
Types of Cost Transfers

Current Cost Transfers

Initiated <u>within</u> 90 *calendar* days of the ***original underlying*** transaction date in Banner

Non-Current Cost Transfers

Initiated <u>more than</u> 90 calendar days after the original underlying transaction date in Banner

Non-current transfers require additional documentation

Types of Expenses

Non-Personnel

Transfer is processed on Journal Voucher FGAJVCD or FGAJVCQ in Banner.

Requires Grants & Contracts approval to post

Personnel

Transfer is processed on Labor Redistribution form (PZAREDS) in Banner.

Does not require Grants & Contracts approval to post

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Additional Documentation That May Be Required

GC81: Cost Transfer Justification for Sponsored Projects

- For non-current cost transfers, keep the signed form on file in your unit.

Effort Recertification

- May be required if labor redistribution impacts pay event(s) that have already been certified

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Cost Transfer Requirements

	Non-Personnel (JV)	Personnel (LR)
Current Transfers	To be noted in FOATEXT: ▪ Reason for initial posting to incorrect C-FOAP ▪ How this cost benefits the project being charged/debited (+) ▪ Original transaction date ▪ Original *Banner document* number ▪ Preparer's name and contact info	To be documented in personnel files or Banner PZAREDS Comments tab: ▪ Reason for initial posting to incorrect C-FOAP ▪ How this cost benefits the project being charged ▪ Effort Recertification if pay period was already certified
Non-Current Transfers	▪ Same as above ▪ Complete GC81 Form and note in FOATEXT "GC81 form on file"	▪ Same as above ▪ Complete GC81 Form and keep on file ▪ Effort Recertification if pay period was already certified

Intra-University Billings

We **KNOW** this is not classified as a cost transfer (see exceptions list).

However, we want to note that journal vouchers used as a billing mechanism should <u>minimally</u> include the following in FOATEXT:

1) Service period covered by the billing

2) Information on how the amount billed was derived/calculated

3) Brief description of services

Commonly Rejected FOATEXT

➢ **"Transferring expense to correct fund," or "Charged the wrong fund in error."**
  ○ *Missing explanation on "what" caused the wrong fund to be charged or reason for incorrect posting*
➢ **Transfer expense from grant E1234 to grant G4567 per Principal Investigator (PI) approval**
  ○ *Missing explanation on "why" it was charged to E1234 in error and "how" it benefits G4567 now and "what" allocation method is used if cost is split between grants*
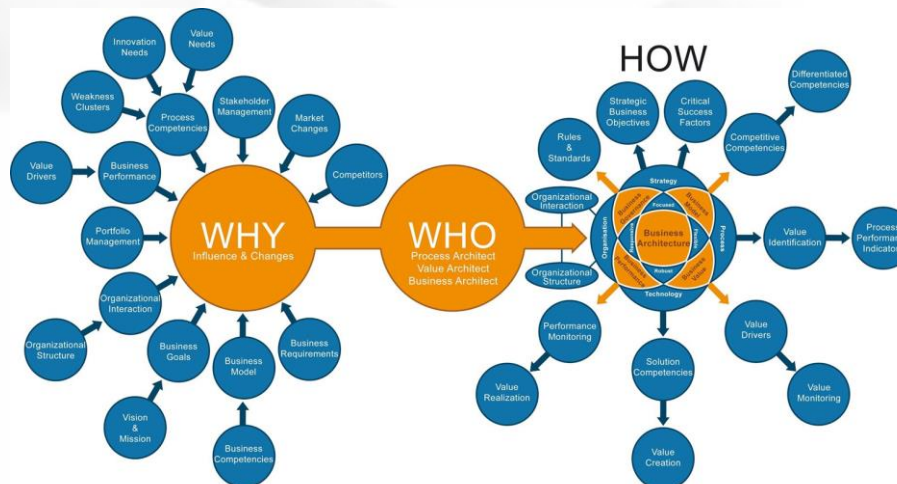
Commonly Rejected FOATEXT

➢ **"Reversing J1234567"**
  ○ *Must include minimum requirements of FOATEXT*
  ○ *What caused the error and why it is allocable to another fund now?*
➢ **"Moving expenses per conversation with Mee Mee/GCO"**
  ○ *Must include minimum requirements of FOATEXT*
  ○ *What caused the error, how it benefits, etc.*

Examples of Acceptable Explanations

➢ **Reason for initial posting to incorrect C-FOAP**

- ○ The lab personnel who ordered supplies used the expired grant fund. Personnel has been instructed to use the new CFOP. Additional layer of approval prior to placing the order has been added in order to prevent this from occurring again.

- ○ Staff made typographical/data entry error when keying in fund in Banner.

- ○ Initially thought expense belonged on E1234, however, PI identified costs to belong to F4567 during monthly reconciliation meeting.

Don't forget to document what corrective action has been taken to prevent the mistake!

Examples of Acceptable Explanations (cont'd)

➢ **How this cost benefits the project being charged**

  ○ To transfer 50% of the maintenance costs to Dr. Smith's NIH R01 HL12345 award. These costs are to be shared equally between his R01 and Army award which are two closely related projects. The maintenance agreement is for the DNA sequencer used for specific aim 1 of the NIH project.

  ○ To transfer supplies used on related projects. Supplies should be shared equally on both projects, per supply usage procedure maintained in the lab. Thus 50% of the cost of the highlighted items is being transferred.

DON'T FORGET TO INCLUDE YOUR ALLOCATION METHODOLOGY!!!

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Check for Disapproved JV (GUAMESG)

Re-Submit Your Corrected JV

1. Enter rejected JV # in FGAJVCQ or FGAJVCD
2. Correct FOATEXT
3. Click complete!

Best Practices to Reduce Cost Transfers

❑ Review terms and conditions of award to understand what is allowable, unallowable, and rebudgeting provisions

❑ Allocate charges promptly if the lab supplies or equipment benefits multiple projects

❑ Update personnel appointments and service center accounts on time or at regular intervals

❑ Seek sponsor's approval if pre-award cost is anticipated

❑ Request anticipation account if appropriate

❑ Monitor your burn rate (i.e., accelerated or delayed expenditure pattern may indicate deficiency in internal control)

Test Your Knowledge - #1

- A journal voucher (JV) is submitted to transfer a supply expense from a departmental ICR fund to a sponsored project account.

- <u>Justification</u>: The charge is in furtherance of sponsored project ABC, and it is being allocated to the corresponding project account.

- The information also includes the document number for the charge, the JV preparer's name, and the JV preparer's phone number.

thinking welcome

What's wrong with the justification?

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Test Your Knowledge - #2

- A JV was submitted to transfer a supply expense from sponsored project account A to sponsored project account B.

- <u>Justification</u>: The expense was originally charged to account A because account B had not yet been created in Banner.

thinking welcome

What's wrong with the justification?

Test Your Knowledge - #3

- A JV was submitted to transfer a supply expense from sponsored project account A to sponsored project account B.

- Justification: The expense was originally charged to account A "due to a clerical error."

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What's wrong with the justification?

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Test Your Knowledge - #4

- A JV was submitted to transfer a supply expense from sponsored project account A to sponsored project account B.

- <u>Justification</u>: To "transfer the charge to the correct fund."

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What's wrong with the justification?

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Test Your Knowledge - #5

- The original charge for supplies was purchased with a P-Card and posted to Banner default account on October 7, 2017

- A journal entry (JV) was completed to reallocate the charge on December 14, 2017

- Another JV was completed to correct the wrong FOP entered in the previous JV on February 14, 2018.

Is a GC-81 required?

thinking welcome

Test Your Knowledge - #6

- A journal voucher (JV) is submitted to remove an overdraft (O/D) from a sponsored fund to an unrestricted (e.g., ICR or state fund).

- Justification: To remove overdraft and close out award.

- The information also includes the document number(s) that comprise the O/D amount, the preparer's name, and the preparer's email.

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What's wrong with the justification?

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Test Your Knowledge - #7

- A journal voucher (JV) is submitted to remove an overdraft (O/D) from the initial segment of E1234 to the continuation segment E5678.

- Justification: To remove overdraft and close out award.

- The information also includes the document number(s) that comprise the O/D amount, the preparer's name, and the preparer's email.

thinking welcome

What's wrong with the justification?

Federal Audit Findings

★ **Unsupported allocation of costs**

○ **Scenario 1**: Travel split among 3 NSF awards, however, was only related to 1 of the awards; appeared to be allocated based on travel budgets available.

○ **Scenario 2**: Equipment cost was split evenly across four projects based on estimated/projected usage and no supporting documentation on how the usage was determined.

■ **Citation**: Arbitrary and based on convenience & not allocated based on benefit to the project

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Federal Audit Findings (cont.)

★ **Inadequately documented costs**
  ○ **Scenario**: Transferred pre-award expenses from 1 NSF award to another. Supporting documentation was not provided.
    ■ **Citation**: Unsupported transactions.

★ **Cost transfer due to overrun**
  ○ **Scenario**: Personnel expenses transferred from one NSF award to another NSF award for the same PI and overlapping period.
    ■ **Citation**: Appear to have been transferred as a result of the overrun of the first NSF award.

Resources

- ❖ **Uniform Guidance 2 CFR 200**
  - ➢ Subpart E – Cost Principles (200.400)
  - ➢ https://www.ecfr.gov/cgi-bin/text-idx?SID=7ba4c7c94d3650dd41df28350db83173&mc=true&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

- ❖ **HHS UG – 45 CFR Part 75 (CDC, HRSA, etc.)**
  - ➢ Subpart E - Cost Principles (75.400)
  - ➢ https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=df3c54728d090168d3b2e780a6f6ca7c&ty=HTML&h=L&mc=true&n=pt45.1.75&r=PART

- ❖ **NIH Grants Policy Statement**
  - ➢ Section 8 Administrative Requirements
  - ➢ https://grants.nih.gov/policy/nihgps/index.htm

- ❖ **NSF PAPPG**
  - ➢ https://www.nsf.gov/pubs/policydocs/pappg17_1/index.jsp
  - ➢ Chapter X – Allowability of Costs

Resources (cont.)

- ❖ **University of Illinois - Sponsored Projects Cost Transfers**
  - ➢ Section 16-Grants and Research Contracts/Sponsored Projects Cost Transfers
  - ➢ https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-transfers
- ❖ **University of Illinois - Sponsored Projects Cost Principles**
  - ➢ Section 16-Grants and Research Contracts/Sponsored Projects Cost Principles
  - ➢ https://www.obfs.uillinois.edu/bfpp/section-16-grants-research-contracts/cost-principles
- ❖ **State of Illinois Awards**
  - ➢ Grant Accounting and Transparency Act (GATA)
  - ➢ https://www2.illinois.gov/sites/GATA/Pages/default.aspx

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Next Meeting

Wednesday, September 19 from 1-2pm

Topic

Just-In-Time Requests

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