Sponsored Project Journal Vouchers

Banner JV Training Supplement
Introduction to Cost Transfers

What is a cost transfer?

- Any cost that is first charged to one “account” and later charged to another “account,” where one or both of the accounts is a grant or contract, is referred to as a cost transfer for sponsored projects.
- Reclassification of charges within an award from one Account Code to another Account Code are not cost transfers.
- Cost transfers can be:
  - *Salary* (transferred via PHAREDS) expenditures
  - *Non-Salary* expenditures (Journal Vouchers)

Cost transfers are a necessary and required component to managing sponsored projects, but they should be kept to a minimum!
Introduction to Cost Transfers

When are cost transfers required?

- When a single charge benefiting multiple projects needs to be allocated across multiple accounts (sponsored and non-sponsored)
  - Some common examples include:
    - Equipment purchases benefitting many projects
    - Service center charges
- If a cost has been charged to the incorrect index and needs to be moved to the correct index
  - Examples include:
    - Data entry error
    - Reallocation of effort
    - Pre-Award costs
    - Late issuance of notice of award

Cost transfers are NEVER an award management tool and should not be used to balance out accounts!
Cost Transfers and Compliance Risk

- Cost transfers are consistently a very “hot topic” in the research administration area
  - Continually a focus of federal sponsor’s Office of Inspector General work plans
  - A key focus area of the annual A-133 audit

**WHY?**

- A high volume of cost transfers (all cost transfers) suggests a lack of proper award management and raises questions on internal accounting practices and controls, such as:
  - Poor budget planning
  - Lack of expenditure monitoring
  - Charging awards for costs that they did not benefit from in a proportional way
  - Charge “holding” or balance “floating”

- There is a true financial risk to cost transfers!
Cost Transfers and Compliance Risk

*How can you help mitigate the risk?*

- **Keep cost transfers to a minimum**
  - Charge the proper index initially - carefully double-check data entry
  - Monitor spending and balances on accounts and review with PIs at least quarterly

- **Document, document, document!**
  - Provide a complete explanation and justification in Banner and on the Cost Transfer Justification Form
    - Explanations such as “to correct error” or “to transfer to correct project” are not sufficient
    - Explanations must justify the amount of the transfer, not just the transfer itself

- **Be timely**
  - Process cost transfers within 90 days after discovering the need for one
  - Provide additional information when transfer is not made within the 90 day period

- **Transfer appropriately**
  - Verify with PIs that costs charged to an account actually benefit the award
  - Help PIs ensure charges are allowable, allocable, reasonable, and consistently treated across all awards for like charges
  - Document! Document! Document!
Cost Transfers and Compliance Risk

How can you help mitigate the risk?

Avoid the following practices:

- Knowingly charging a cost to one sponsored award while waiting for another award to come into the UO or be set-up in Banner
- Posting a cost share charge directly to the grant until cost share funds can be identified
- Charging one index for an item that benefits multiple grants because more funding is available there than on other projects
- Transferring costs to use up an unspent balance at the end of an award
- Transferring costs to avoid the 25% carryover approval requirement
- Transferring costs from one sponsored project to another to clear an overdraft
Cost Transfers and Compliance Risk

*What are the cost transfer “red flags”?*

**Red Flags**

- Transfers to or between federal grants
- Transfers older than 120 days after original transaction
- Transfers in the last month of the award or after the award has expired
- Large numbers of cost transfers
- Grants or contracts with a zero balance at the end of the award
- Round numbers (may be an indicator of a plugged number)
- Paying summer salary late (in December)
- Labor distribution adjustments to previously certified effort
UO JV Cost Transfer Process
Cost Transfer Process

Overview

- Cost transfers at UO are processed in a variety of ways
  - Non-Labor Cost Transfers:
    - Processed through a Journal Voucher entry in Banner
    - Generally entered directly by the unit via FGAJVCD in Banner
    - Reviewed and approved by the SPS Post-Award SPA Team prior to posting
  - **Alternative:** If you must process a VERY large JV (50+ line items) you can use an upload JV to minimize data entry. Contact your Post-Award SPA Team for more information.
Cost Transfer Process

Cost Transfers vs. Journal Vouchers

- A Cost Transfer is NOT the same as a Journal Voucher
  - All Non-Labor Cost Transfers are processed via a Journal Voucher
  - Not all Journal Vouchers are Cost Transfers - even on Sponsored Projects

- A Cost Transfer is the movement of a specific item of cost, not a lump sum transfer
  - Therefore, moving a lump sum when completing a JV is only allowable under specific circumstances
  - Examples of appropriate lump adjustments:
    - Writing off a balance to bad debts
    - Transferring the balance of a Fixed Price Agreement to a Gift Account Index
    - Posting the F&A on a Fixed Price Agreement
    - Moving the Institutional Allowance portion of an award to a separate Index
    - Moving funds to a Capital Index (or Building Index)

- A Cost Transfer is NOT reclassifying expenditures across Account Codes within the same award
Cost Transfer Process

**Late Cost Transfers**

- The Cost Transfer Justification Form must be submitted for all cost transfers that are requested more than 90 days after the month end close of the original transaction month
  - Example: If the original charge posted in January, a Cost Transfer Justification Form is required if the transfer is submitted in May or later
- This form is required for ALL late cost transfers, including:
  - Labor and Non-Labor Transactions
  - Debits AND Credits to sponsored project accounts
- For more detail, reference the Cost Transfer Justification Form and accompanying guidelines:
  - [http://orsa.uoregon.edu/index.cfm?topLevCat=forms&page=Forms_Internal](http://orsa.uoregon.edu/index.cfm?topLevCat=forms&page=Forms_Internal)
Cost Transfer Process

**JVs: Strategies to Expedite SPS Review and Processing**

- Use the FOATEXT screen to include high-level details:
  - This Banner functionality allows for some level of detail to be entered regarding the nature of the transfer
  - Some level of documentation and justification (specifically how a sponsored account being debited is benefitted) should be included in the text
    - If only a portion of a charge is being transferred, the text MUST describe how this amount was determined/calculated and it MUST relate back to benefit to the specific project
  - This facilitates SPS review and provides easy access to documentation in the case of an audit or follow-up questions by the sponsor
  - Some transactions may require additional information

- Always complete the Document Reference number for the original transaction in the Long Form (FGAJVCD)
  - This is the identifier (JV number, Invoice Number, Z Number, etc.) for the transaction being transferred
  - REQUIRED for SPS approval of a Journal Voucher
  - This clearly avoids lump sum transfers - necessitates a 1:1 line item transaction
Cost Transfer Justification Form

*Strategies to Expedite SPS Review and Processing*

- If a Cost Transfer Justification Form is required and being submitted to SPS, note this in the FOATEXT form in Banner
- Avoid generic explanations - specifically list the award names, index numbers, staff names, etc. within the form as necessary
- Before forwarding this form to SPS for processing, be sure that the following signatures are included:
  - The Principal Investigator and Department Head must approve and sign off on the transfer
  - SPS will accept a scanned or faxed copy of the form if the PI or Department Head is not easily available for signature. Email approvals will also be accepted.
  - If the PI is unavailable for signature, a unit head signature will be accepted provided they have significant enough knowledge of the award’s activities to support the change
  - A form will not be accepted with the same Preparer, PI and Unit Head signature. We require at least two unit-based individuals to sign-off on the transfer.
Cost Transfer Roles & Responsibilities

What is the DGA role in processing a cost transfer?

- Work with the PIs!
- Ensure the reason for the transfer is acceptable
- Ensure the cost to be transferred is allowable, reasonable and allocable to the new account, and was incurred within the award period or is permissible as a pre-award charge
- Identify and process the transfer in a timely manner
- Document the transfer properly:
  - Explain how the cost benefits the grant being charged
  - Ensure additional documentation is on file, as necessary
  - Obtain proper authorization from the PI or other responsible departmental representative knowledgeable about the grant
- If the transfer is being made 90 days after the original transaction month closes, provide an explanation for why the transfer is being made late on the Cost Transfer Explanation Form
Cost Transfer Roles & Responsibilities

What is the SPS SPA role in processing a cost transfer?

- Enter PHAREDS for closed quarters into Banner
- Review the documentation including:
  - Original charge detail
  - New grant detail
  - FOATEXT
  - Cost Transfer Justification Form
- Ensure the appropriate level of documentation is supporting every transfer
- Review the charge and transfer for reasonableness, allocability, allowability and consistent treatment
Want more information???

Visit the Sponsored Projects Services website:
- [http://orsa.uoregon.edu](http://orsa.uoregon.edu)

- In addition to general information and contact details, the site links to the SPS training calendar for the on-going training opportunities

- Cost Transfer specific training will be offered by SPS on a regular basis – so we hope to see you at one of those sessions soon!