

Salary/Wage Cost Transfers Involving Sponsored Projects Policy

I. POLICY STATEMENT

The purpose of this policy is to define non-salary cost transfers involving sponsored projects; the circumstances under which cost transfers may be approved; and how Auburn University demonstrates compliance with federal, Auburn University, and sponsor requirements.

II. POLICY PRINCIPLES

It is extremely important that all expenditures be initially charged to the correct FOAP. 2 CFR, Part 200 (commonly referred to as Uniform Guidance) indicates that costs allocable to a particular federal award may not be charged to other federal awards to cover over-expenditures or avoid restrictions imposed by federal statutes or award terms and conditions.

Transfers that are frequent, not submitted in a timely manner, inadequately explained or documented, are being done at or near the end of the award period, or are for previously certified or approved expenditures - particularly on projects with overruns or unexpended balances - raise questions about the appropriateness of the transfers and the reliability of the university's accounting system and internal controls.

Under no circumstances may expenditures be placed onto a sponsored fund for reasons of convenience or funding availability with the intention that they will be moved to the proper FOAP (FOAP/sponsored project that benefited from the expense) at a later date. Such "parking" of costs violates the costing guidelines and is strictly prohibited. For this reason, the project director and others involved in administering awards should seek to ensure that expenditures are always recorded correctly.

Timely salary/wage cost transfers involving sponsored projects are important to ensure that effort may be certified timely, appropriately, and in accordance with Compensation for personal services requirements of 2 CFR Part 200 and confirmed in accordance with Auburn University policies regarding effort certification.

In the event salary/wage cost transfers become necessary, the general deadline for processing such transfers TO sponsored FOAPs is no later than **90 days after expenditure was incurred**. The 90 day time period begins at the end of the month in which the expenditure was recorded in Banner and runs until the eJournal Voucher DEC is in the Contracts and Grants Accounting queue.

Salary/wage cost transfers TO sponsored FOAPs after this period are generally not allowed, but may be permitted under extenuating circumstances.

Non-salary cost transfers FROM sponsored FOAPs to unrestricted FOAPs will be processed regardless of when the expenditure was incurred, as Auburn is obligated to correct unallowable charges to sponsored projects once identified.

All cost transfers involving sponsored FOAPs or cost share FOAPS are to be approved by Contracts and Grants Accounting.

III. **EFFECTIVE DATE**

10/1/2016

IV. **APPLICABILITY**

This policy applies to Principal Investigators and his/her responsible departments as well as Contracts and Grants Accounting.

Principal Investigators (PIs) and his/her responsible department:

- Ensure expenditures are recorded correctly the first time and all expenditures are:
 - **Necessary** and **reasonable** for the performance of the sponsored award and **allocable** thereto under these principles.
 - Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
 - Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
 - Accorded consistent treatment in that for the same purpose in like circumstances has been as a direct cost or as an indirect cost.
 - In accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
 - Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
 - Adequately documented.

(Source: 2 CFR, Part 200)

- Review financial reports monthly to facilitate timely discovery and correction of errors.
- Make sure all salary/wage distributions reflect current work assignments.
- Properly justify the reason and need for the transfer. Federal guidelines state that transfers must be supported by documentation that fully explains how the error occurred, explains why the project receiving the transfer is the correct one, and explains the steps that are being taken to prevent the need for this type of transfer in the future. Explanations such as "to correct error" or "to transfer to correct project" are insufficient.
- Prepare salary/wage transfer (eSWT) in Self Service Banner, attach all supporting documentation, and submit them to Contracts and Grants Accounting for review.

Contracts and Grants Accounting:

- Review and approve or disapprove all cost transfers involving sponsored projects
- Review the justification for cost transfers over 90 days old and determine appropriateness of the transfers.

V. **POLICY MANAGMENT**

Responsible Office: Contracts and Grants Accounting

Responsible Officer: Director, Contracts and Grants Accounting

Responsible Executive: Vice President for Business & Finance and CFO

VI. DEFINITIONS

2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Cost transfer - movement or transfer of an expenditure from one funding source to another.

FOAP is the Fund, Organization, Account, and Program code used to record financial transactions in Banner.

Standards for Documentation - expenditures for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of Auburn University;
- Reasonably reflect the total activity for which the employee is compensated by Auburn;
- Encompass both sponsored and all other activities compensated by Auburn on an integrated basis;
- Comply with the established accounting policies and practices of Auburn University; and
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one sponsored award; a sponsored award and non-sponsored award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

VII. POLICY PROCEDURES

Contract/grant expenditures are not to be intentionally charged to other contact/grant FOAPs as a temporary measure. A separate contract/grant FOAP (and cost sharing FOAP, if appropriate) should be obtained before any contract/grant expenditures are incurred. Contact Contracts and Grants Accounting with questions on expenditures incurred without a signed award.

Salary and Wage Transfers:

Salary and wage transfers are very difficult to justify to auditors and granting agencies. Throughout a project, the project director and/or department head should make sure that all salary and wage distributions reflect current work assignments.

Note: Any Auburn University employee who spends 5% or more of his or her effort in any given period on a specific sponsored project or projects should have the appropriate portion of his or her salary allocated to each sponsored FOAP, project cost share FOAP, and/or university FOAP based on the percent effort expended for each activity.

Procedures:

1. A Salary/Wage Transfer Request is to be completed by the responsible department and submitted to Contracts and Grants Accounting via Self Service Banner. The request must clearly explain why the salaries/wages were charged to the incorrect FOAP initially and why the new FOAP was determined to be the correct FOAP.
2. If transferring **TO** a contract fund, answer all three questions on the Salary/Wage transfer completely. The information requested is necessary to justify the transfer as required by federal regulations. The questions are as follows:
 - a. Why the expense was not originally charged to the fund to which it is being transferred? Please explain fully. (An explanation that merely states that the transfer is "to correct an error" or "to transfer to correct project" or "expenditure inadvertently charged to incorrect fund" is insufficient.)
 - b. What is the benefit to the fund being charged? Describe how this charge is a proper and allowable cost to the sponsored project. (An explanation that merely states "the expense will now be on the correct fund" is insufficient.)
 - c. What action is being taken to prevent the necessity for this type of transfer in the future? **(This includes an expectation that legitimate steps are being taken to implement the corrective action, once identified.)**
3. Attach any documentation to support request for transfer.
4. The Salary/Wage Transfer must be approved by the project director or other authorized individual with knowledge of the work performed.
5. Transfers greater than 90 days old are generally not allowed, but may be permitted at the discretion of Contracts and Grants Accounting.

VIII. SANCTIONS

Under circumstances where expenditures are intentionally parked onto one sponsored project with the intention of transferring at a later date, or where the sole purpose of the transfer is to move the deficit from one sponsored project to another or to exhaust unexpended balances, those transfers may be disallowed after a review by Contracts & Grants Accounting.

Incomplete or insufficient Salary/Wage transfer documentation may cause the transfer to be returned to the preparer.

Contracts & Grants Accounting may disapprove cost transfer documents where it has been determined that excessive transfers are occurring and corrective actions provided as part of the cost transfer justification are not being implemented.

IX. EXCLUSIONS

This policy applies to all sponsored agreements. Any exceptions shall be reviewed by the offices of the Vice President for Business & Finance and CFO, Director of Contracts and Grants Accounting, or other designee and may be granted on a case-by-case basis.

X. **INTERPRETATION**

The offices of the Vice President for Business & Finance and CFO, Director of Contracts and Grants Accounting, or other designee will determine appropriate application for each contract, grant or cooperative agreement involved.