

## Retroactive (Payroll) Expenditure Transfer (RET) Guidelines

As always, cost transfers must stand the test of being **allowable, applicable and reasonable**, in order to be deemed as an allowable charge to a sponsored project. Cost transfers are almost always reviewed when an account, department, or university is audited. When reviewing cost transfers **the burden of proof regarding allowability is on the department rather than on the auditor.**

The auditor will consider the *rationale, nature, and timing* of a cost transfer in determining whether the transfer passes the tests of reasonableness and allowability. The entire set of circumstances will be examined during an audit to determine allowability. Factors such as how long after the charge first occurred and the impact the transfer will have on the projects being charged will weigh heavily in the auditor's determination of allowability. Cost transfers processed after the end dates are suspicious by nature and must be particularly well justified, especially with respect to timing. A key element to be aware of is the stipulation that all transfers must be **made within 90 days of when the charge first occurred (posted in the university financials system – FAST!).**

Below are sample justifications from RETs submitted for processing along with the reasons why they may not be deemed allowable under audit. Also included are the potential remedies and re-written justifications.

### **1. Questionable Justification - "To transfer overage to related Project"**

Reason - Transfer of overages from one project to another is not permitted.

Remedy - If projects are related, identify which costs are to be shared and clearly indicate how the amount to be shared was determined.

Acceptable Justification - To transfer salaries to closely related project. Salary should be shared equally on both projects, thus 50% of the effort for Dr. Smith is being transferred.

### **2. Questionable Justification - To correct account charged incorrectly due to clerical error.**

Reason - Insufficient explanation of why and how the clerical error occurred. In general, this explanation is only adequate if a transposition error occurred, and this should be stated.

Remedy - Explain the nature of the clerical error.

Acceptable Justification - The administrator used the project number of an award that was terminated. The sponsor assigned a new award number thus a new USF project number has been established in FAST. This transfer moves the expense from the old number to the new.

**3. Questionable Justification - To transfer unallowable salary costs from Dr. Smith's American Heart Association project to his related NIH project.**

Reason - The fact that a charge is unallowable on one project is insufficient justification for charging another project. The expense must have been incurred in relation to the project being charged.

Remedy - The salary cost can only be charged to a project that benefited from the expense. If none are available, then the cost must be transferred to a RIA, Convenience or E&G fund.

Acceptable Justification - Transferring unallowable salary to the RIA, Convenience or E&G fund, as AHA does not allow salary to be directly charged to this project.

**4. Questionable Justification - To charge appropriate account.**

Reason - This does not adequately explain why the wrong account was charged. Why is the account being debited more appropriate? How was the amount being transferred determined?

Remedy - Explain why the account being charged is appropriate and how the amount being transferred was determined.

Acceptable Justification - To transfer 100% of PI's salary for the indicated pay periods to the project where his effort was spent. The administrator was not aware that the PI had changed projects.

**5. Questionable Justification - To charge salary at \$500 per month for four months to Dr. Smith's NIH project.**

Reason - Salary charges must be determined as a percentage of effort worked rather than a fixed dollar amount. The amount of effort transferred as well as the reason for the transfer must then pass the test of reasonableness. Why was the correct amount of effort not distributed to the account? Has Dr. Smith been charged to this account before? Is this consistent with effort budgeted?

Remedy - Explain how the amount was determined and why the account being charged wasn't charged correctly.

Acceptable Justification - To charge 25% of Dr. Smith's salary for the month of June to his NIH account. Administrator was not aware that Dr. Smith increased his effort in order to begin phase two of the research. NOTE: Since salary transfers must reflect effort

rather than dollar amounts, the amount transferred may not be the \$500 in the original justification.

**6. Questionable Justification - To charge 10.6% of Dr. Smith's salary to the appropriate account.**

Reason - In this particular instance, 10.6% was just enough to close out the account 10.6% is the equivalent of 3.975 hours which would be difficult, if not impossible to justify to an auditor.

Remedy - None. The amount transferred and the reason for the transfer must be well documented, allowable, and consistent with the amount of effort provided on the project.

**7. Questionable Justification- To charge a portion of temporary employee's salary to the project.**

Reason - The reason for the transfer needs to be included. What was the person's role on the project? Also, the amount transferred must be adequately justified (10%, 20%, 100% etc.).

Remedy - Indicate what the person's role on the project was and how the amount was determined.

Acceptable Justification - To transfer 50% of the temporary technician's salary to Dr. Jones project. This person split time equally between the NIH project and the American Heart Association project.

**8. Questionable Justification - To *transfer* after end date charges to the appropriate accounts for the month of July.... we did not get a chance to determine which one of Dr. Smith's grants would be able to support the above supplements other than his NIH grants.**

Reason - The account charged must be a function of where the services were actually provided. Allowability must be determined before effort is expended on and distributed to a project.

Remedy - If effort is contributed to a project that does not allow payments to that account code (salary), then charges must be transferred to an RIA, convenience or E&G fund.

Acceptable Justification – The audit of the award by the Principal Investigator revealed an accounting error in charging payroll expenses to the award. The administrator was not notified that this graduate student was expending effort to this research project.