SPA CERTIFICATE SERIES

Effort Verification Reporting (EVR), Cost Transfers, and Payroll Correcting Entries (PCEs)

SESSION OBJECTIVES

- Understand the responsibilities of individuals involved in these activities
- Understand the compliance requirements for:
  - Cost Transfers
  - Payroll Correcting Entries (PCEs)
  - Effort Verification Reports (EVRs)
- Discuss common issues and areas of noncompliance

AWARD CYCLE


Proposal development
Proposal submission
Award acceptance and setup
Award management
Closeout

Cost Transfers

- **What** is a Cost Transfer?
- **Why** do Cost Transfers?

- Different types of cost transfers
  - Correcting Entry (CE) : non-payroll cost
  - Payroll Correcting Entry (PCE) : payroll cost

Cost Transfers

A cost transfer is an after-the-fact transfer of costs (salary or non-salary) from one Chartfield String to another.

Ideally, all costs should be charged to the appropriate award when first incurred.

However, there are circumstances where it may be necessary to transfer expenditures after the initial recording of the charge.

PAYROLL CORRECTING ENTRY

- What is a PCE?
- When are PCEs needed on grants?
  - Remove unallowable salaries
  - Record salary on the project so payroll reflects employee effort
- Who prepares PCEs on grants?
  - < 365 days - the department prepares and enters
  - > 365 days - the department prepares and obtains approvals. SPA reviews documentation and enters
  - Policy Number 22303 – October 1, 2017

PAYROLL CORRECTING ENTRY

- **When** are these identified?
  - Monthly PI/Departmental Managerial Review
  - Effort Verification Reporting process
  - Award setup
  - Closeout of award

- **Why** are these necessary?
  - Costs incorrectly charged
  - Actual effort different than planned
  - Project costs over budget

- **Goal** – To ensure all expenses are allowable, allocable, reasonable, complete, and within the period of availability

PAYROLL CORRECTING ENTRIES AND COST TRANSFERS

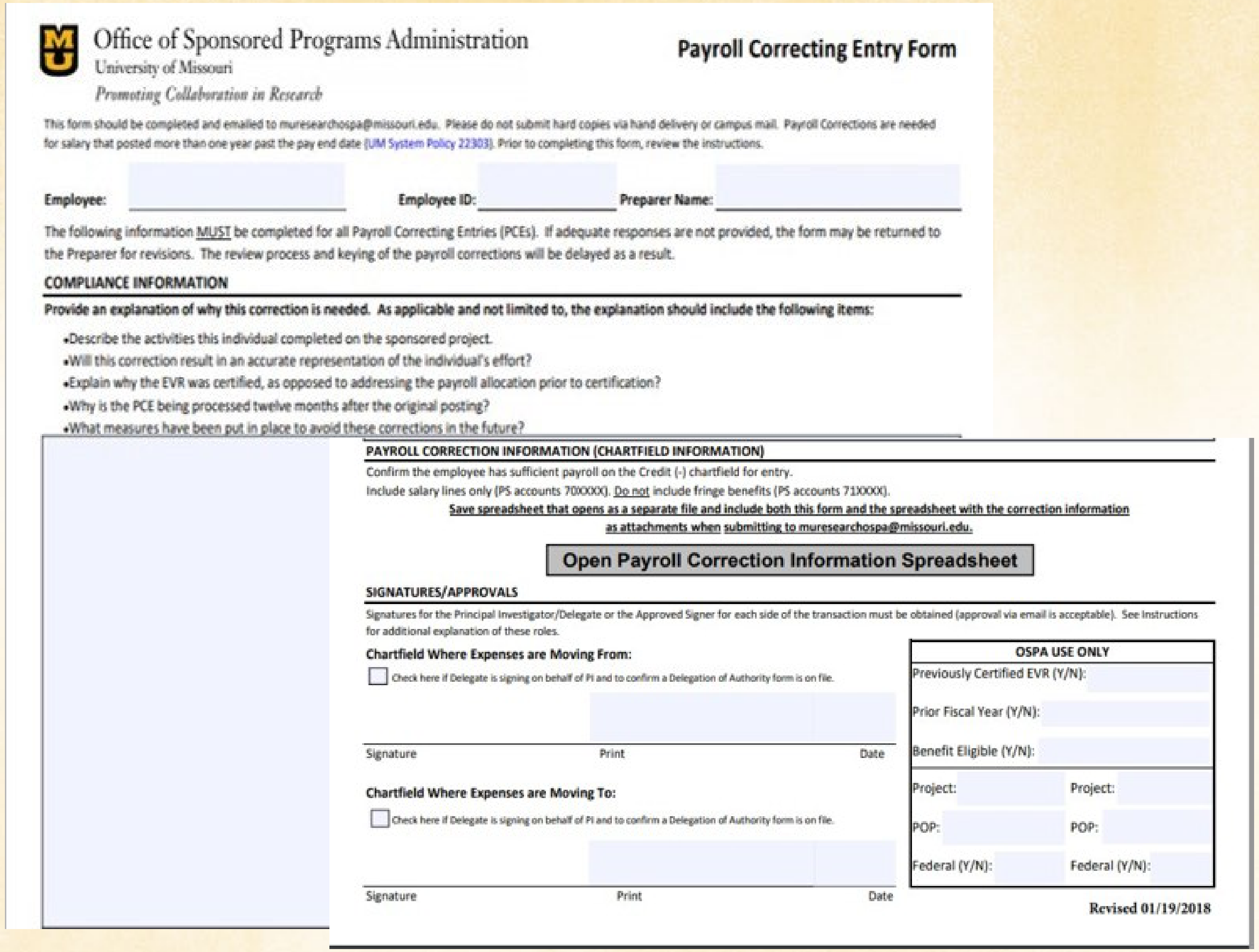
- Must be:
  - An **allowable** charge
  - **Allocable**- Directly benefit the project
  - **Made timely**
  - Within the period of availability
  - Properly documented and retained

WHAT ARE THE ASSOCIATED RISKS?

- Audit
  - Primarily when effort must be recertified
- Manual process
  - Increased likelihood that errors will occur
- Late reimbursement requests and financial reports to the sponsor

PAYROLL CORRECTING ENTRY FORM

- Describe the activities this individual complete on the sponsored project.
- Will this correction result in an accurate representation of the individual's effort?
- Explain why the EVR was certified, as opposed to addressing the payroll allocation prior to the certification.
- Why is the PCE being processed twelve months after the original posting?
- What future measures have been put in place to avoid these corrections in the future?
- Remember to provide the necessary chartfields and signatures/approvals.



Office of Sponsored Programs Administration
University of Missouri
Promoting Collaboration in Research

Payroll Correcting Entry Form

This form should be completed and emailed to muresearchospa@missouri.edu. Please do not submit hard copies via hand delivery or campus mail. Payroll Corrections are needed for salary that posted more than one year past the pay end date (UM System Policy 22303). Prior to completing this form, review the instructions.

Employee: Employee ID: Preparer Name:

The following information MUST be completed for all Payroll Correcting Entries (PCEs). If adequate responses are not provided, the form may be returned to the Preparer for revisions. The review process and keying of the payroll corrections will be delayed as a result.

COMPLIANCE INFORMATION

Provide an explanation of why this correction is needed. As applicable and not limited to, the explanation should include the following items:

- Describe the activities this individual completed on the sponsored project.
- Will this correction result in an accurate representation of the individual's effort?
- Explain why the EVR was certified, as opposed to addressing the payroll allocation prior to certification?
- Why is the PCE being processed twelve months after the original posting?
- What measures have been put in place to avoid these corrections in the future?

PAYROLL CORRECTION INFORMATION (CHARTFIELD INFORMATION)

Confirm the employee has sufficient payroll on the Credit (-) chartfield for entry.
Include salary lines only (PS accounts 70XXXX). Do not include fringe benefits (PS accounts 71XXXX).
Save spreadsheet that opens as a separate file and include both this form and the spreadsheet with the correction information as attachments when submitting to muresearchospa@missouri.edu.

Open Payroll Correction Information Spreadsheet

SIGNATURES/APPROVALS

Signatures for the Principal Investigator/Delegate or the Approved Signer for each side of the transaction must be obtained (approval via email is acceptable). See Instructions for additional explanation of these roles.

Chartfield Where Expenses are Moving From:
Check here if Delegate is signing on behalf of PI and to confirm a Delegation of Authority form is on file.
Signature Print Date

Chartfield Where Expenses are Moving To:
Check here if Delegate is signing on behalf of PI and to confirm a Delegation of Authority form is on file.
Signature Print Date

OSPA USE ONLY
Previously Certified EVR (Y/N):
Prior Fiscal Year (Y/N):
Benefit Eligible (Y/N):
Project: Project:
POP: POP:
Federal (Y/N): Federal (Y/N):

Revised 01/19/2018

PAYROLL CORRECTING ENTRIES > 365 DAYS

- **Step 1**: PCE is received in SPA and is logged for compliance review.
- **Step 2**: Compliance review, which includes identifying federal funding impact, risk assessment, and ensuring completeness and accuracy of PCE form.
- **Step 3**: Final approval and entry
- **Final step**: EVR comparison
  - PeopleSoft processes identify PCEs that create a variance of >5% on a federal line or creates a new federal line. SPA will work with the employee and the division fiscal officer to obtain recertification.

PAYROLL CORRECTING ENTRIES < 365 DAYS

- **Step 1**: PCE is keyed by staff in the department or division.
- **Step 2**: SPA pulls query of all PCEs entered for the prior month on grant funding.
- **Step 3**: Compliance review, which includes identifying federal funding impact, risk assessment, and ensuring completeness and accuracy of PCE comments.
- **Step 4**: SPA sends a list to each division fiscal officer that includes all PCEs that need additional comments.
- **Step 5**: Corrections are made to the PCE comments.
- **Final step**: EVR comparison
    - If PCE impacts a pay period where the EVR has already been certified:
        - PeopleSoft processes will identify PCEs that create a variance of >5% on a project line or a new project line. SPA will work with the employee and the division fiscal officer to obtain recertification.

COMPLIANCE REVIEW - RISK

- High Risk can include:

- Transfer of salary from one grant chartfield to another when projects are not part of the same award. – NSF to NIH
- Transfer of salary from a non-grant chartfield to a grant chartfield. – Are we just spending down an award?
- Transfer of salary from a grant chartfield to a non-grant chartfield if the transfer creates a variance of 5% or more on an EVR that has been previously certified.
- Why is significant effort being moved so late? Why was this not caught initially?

COMPLIANCE REVIEW - RISK

- Low Risk can include:

- Transfer of salary from one year of funding to the next for the same sponsored award.
- Transfer of salary between sponsor portion and cost share or program income within the same sponsored award.
- Transfer of salary between DeptIDs, program, or class codes with the same PS project number.
- Transfer of salary from grant to non-grant chartfield if there is no impact or <5% on previously certified EVR.

What is included in a good justification?

- Description of the activities the individual performed on the sponsored project where the salary is moving to.
- Confirmation that this correction results in an accurate representation of effort.
- If the EVR was certified, explain why it was certified with incorrect information.
- Explain how this will be avoided in the future.

Case Study - #17

Dr. Becky, the PI, is reviewing the activity on her NSF award which will be ending on December 31st. It is early December, and she has not had time to review this award for six months. Additional information includes:

- Her Budget Variance Report # 2 shows the award is over budget by amount $12,000.
- After reviewing the expenditure details, she determines that effort for her lab technician, Chris, has been overcharged to the NSF award for two months: July, and August.
- Dr. Becky had another award with DOE which the lab technician also worked on given the similarities of the research.
- Dr. Becky determined that to properly reflect Chris' effort, $4,000 should have been charged to the DOE award. His effort was included in the DOE budget.
- The DOE award ended on August 31st .
- Chris's salary should have been allocated between the two awards.
- There was also a piece of equipment costing $6,000 that has been incorrectly charged to the NSF award. It was not in Dr. Becky's lab and should not be charged to any of her awards.
- The deadline for DOE's final technical report, financial reports, and invoice was November 30th. All final reports and invoices were submitted, and final payment was received from DOE.

Case Study #17
Cost Transfer Case Study

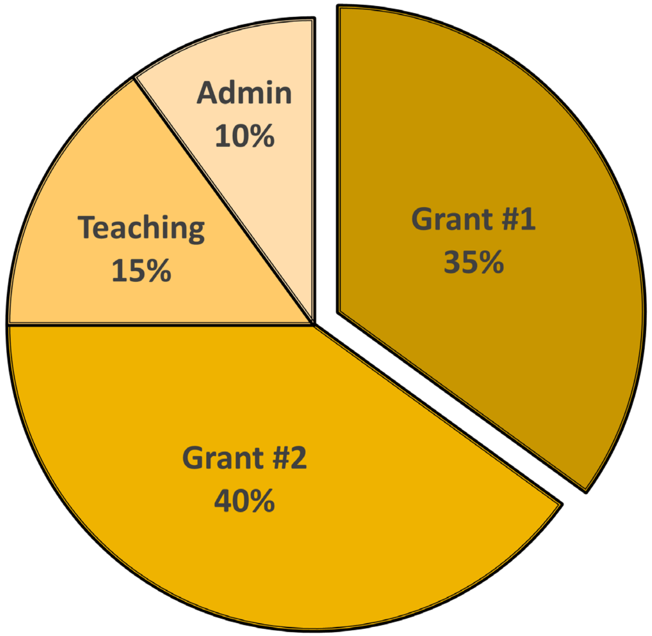
- What are the potential issues for these awards?
- What actions need to be taken at this time?
- Does the lab technician need to recertify his EVR?

EFFORT VERIFICATION REPORTING

- Changes to Requirements
  - Uniform Guidance – Effective 12/26/2014
- To ensure direct payroll costs reflect actual efforts.
- Approximately 80% of grant expenditures are salaries & wages
- Semi-annual verification
- EVRs are generated in August and February
  - Jan 1-June 30
  - July 1-Dec 31
- Electronic within PeopleSoft

EVR | EFFORT VERIFICATION REPORTING

- MU EVRs reflect 100% of **all** University compensated activity
- Total effort is not based on a
  - **40-hour** workweek or
  - **Full-time** equivalent
- Certified electronically by the subject of the effort or a person with *"suitable means of verification that work was performed."*
- Must be electronically certified by due date stated in the email from SPA



Total must equal 100%

EFFORT VERIFICATION REPORTING

- <u>Questions to Ask</u>
- What was proposed?
- Was there cost share committed?
- Are there any salary cap limitations?
- Has effort changed for any key personnel?
- When must the sponsor be notified?
- When does a change in Effort Verification Report require a Payroll Correcting Entry?

EVR NOTIFICATION TO EMPLOYEE

From: MU RESEARCH OSPA EVR
Sent: Thursday, August 24, 2023, 2:13 AM
To: Employee with EVR to certify
Subject: An Effort Verification Report requires your approval.

An Effort Verification Report for Individual's Name requires your approval within 14 days from today.

For assistance, please refer to the eEVR End User Training manual on the Finance Support Center page. You will need to use your single sign-on to access the manual. If further assistance is required, please contact your local SPA office.

EVR NOTIFICATION TO FISCAL OFFICERS

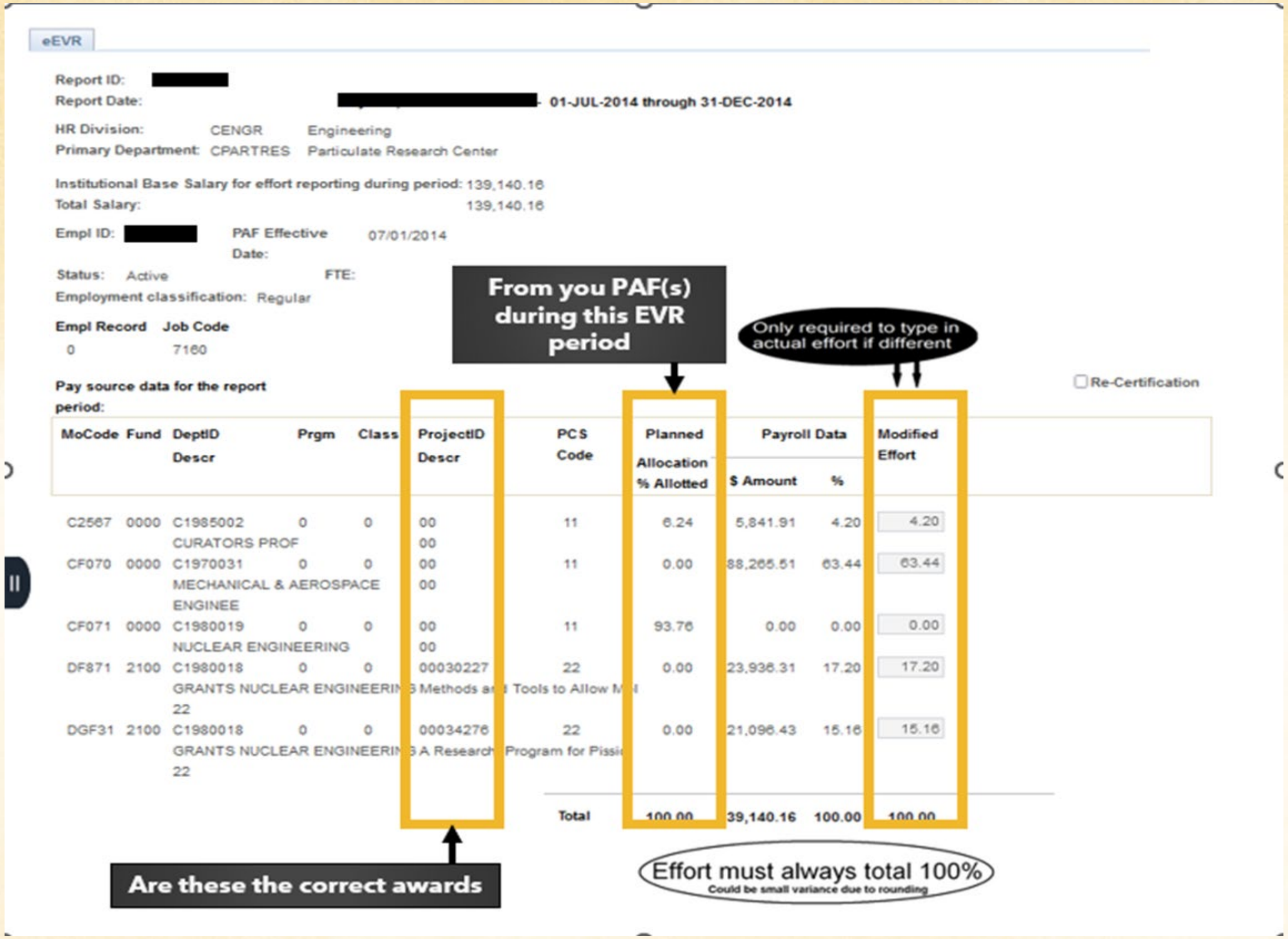
From: MU RESEARCH OSPA EVR
Sent: Thursday, August 24, 2023 2:13 AM
To: Hampton, Chad <hamptonc@missouri.edu>

Subject: COLUM Effort Verification Reports have been created.

COLUM Effort Verification Reports 01-JAN-2023 through 30-JUN-2023 have been created and are due by 07-SEP-2023.

EVR EXPLAINED

1. Estimate your effort
2. Compare to Payroll Data %
3. If different (exceeds 5% threshold) complete Modified Effort



EVR RE-CERTIFICATION

Re-Certify Effort ☑ Re-Certification

Pay source data for the report period:

MoCode	Fund	DeptID Descr	Prgm	Class	ProjectID Descr	PCS Code	Planned Allocation % Allotted	Payroll Data $ Amount	Payroll Data %	Modified Effort	Re-certified Effort	Actual Data $ Amount	Actual Data %
C2479	0000	C1950026 ENGR RES DIR	0	0	00 00	46	0.00	0.00	0.00	0.00	0.00	4,575.62	14.33
DV053	0000	C1908004 CCPPELEC GENERAL OPERATIONS	0	0	00 00	63	12.50	9,729.57	30.47	30.47	0.00	9,729.57	30.47
DW287	2100	C1908002 GRANTS CPPE 22	0	0	00055739 Compact 500KV, High Energy Den	22	75.00	7,734.25	24.22	24.22	0.00	7,734.25	24.22
F2519	2100	C1908002 GRANTS CPPE 22	0	0	00064770 Solid State Ring Down Oscillat	22	12.50	5,331.94	16.70	16.70	0.00	5,331.94	16.70
F2854	2100	C1908002 GRANTS CPPE 22	0	0	00064072 High Energy Density Capacitors	22	0.00	9,134.26	28.61	28.61	0.00	4,558.64	14.28
						Total	100.00	31,930.02	100.00	100.00	0.00		

EVR CERTIFICATION

Payments made through Payroll and excluded from the base calculation:

MoCode	Fund	DeptID Descr	Prgm	Class	ProjectID Descr	Earn Code	$ Amount

Total	0.00

I am the individual named in this report, or I have first-hand knowledge of the activities of the individual named in this report and suitable means of verification of effort shown on this report. If I am not the employee named in this report, I have access to reliable information of how the individual spent their effort and I will maintain supporting documentation of that information. I affirm that the percentages listed under Payroll Data % or Modified Effort are a reasonable reflection of the subject's effort during the time period covered by this report. I understand that if the difference between the Payroll Data % and Modified Effort is more than 5% for any funding line, departmental personnel are required to initiate PCEs to accurately reflect these changes, and that I have the responsibility to notify departmental personnel when such entries are necessary.

Approval   Approved by Loyalka,Sudarshan Kumar   07/21/15 9:40:29AM

- I am the individual's advisor and have first-hand knowledge and suitable means of verification for the effort shown on this report.
- I am the individual's supervisor and have first-hand knowledge and suitable means of verification for the effort shown on this report.
- I am the Principal Investigator for one or more of the projects listed. I have first-hand knowledge and suitable means of verification for the effort shown on this report.
- I am departmental administrative staff, and I have access to reliable information on how the individual spent his/her effort (i.e. logs filled out by the individual) . I will maintain this information in the department and provide it upon request.
- I am the department chair where this grant activity occurred, and I have access to reliable on how the individual spent his/her effort(i.e. logs filled out by the individual) . I will ensure this documentation is maintained in the department and that it will be provided upon request.
- Other. Please add comments.

Save | Return to Search | Previous in List | Next in List | Notify

Case Study #15
EVR CASE STUDY

- What are your concerns about the EVRs?
- What are the potential implications?
- What actions need to be taken?

COMMON ISSUES WITH PAYROLL CORRECTING ENTRIES & COST TRANSFERS

- **Untimely** PI Managerial Review
- **Late** PCEs and other cost transfers
- **Insufficient** justification
- **Not utilizing** pre-award/advance accounts
- **Unreasonable** activity in last 3 months of an award

COMMON ISSUES WITH EFFORT VERIFICATION REPORTING

- Must have firsthand knowledge of all University-based effort if certifying someone else's EVR.
- Certify all EVRs within 30 days.
- Notify sponsor when significant change in effort – PI and key personnel

CONCLUDING POINTS

- MU EVRs reflect 100% of all University compensated activity
  - Effort must equal 100%
  - Certified by someone with firsthand knowledge.
- PCEs over 365 days must be approved by SPA or Accounting.
- The end goal is to make sure that we are complying with federal regulations and all charges directly benefit the grant.

CONTACT INFORMATION

Sponsored Programs Administration

Phone: (573) 882-7560

muresearchospa@missouri.edu

https://research.missouri.edu/sponsored-programs-administration

Chad Hampton - Associate Director, Post-Award

Phone: (573) 882-4372

Email: hamptonc@missouri.edu