• May not be included as cost share for more than one project
• Be reasonable, necessary, and directly related to the program objectives
• Allowable under the terms of the award -- expenses that are disallowed from a grant are also not eligible for cost share
• May not be paid from federal funds unless specifically authorized by statute
• Included in the approved project budget if required by the granting agency

C. Cost Transfers

A cost transfer occurs when an expense that is originally allocated to one fund is moved to another fund by journal entry or payroll reallocation.

The Office of Management and Budget A-133 Compliance Supplement 2011 indicates that frequent requests for cost transfers are considered by auditors to be indicative of weak internal controls or unreliable accounting systems. Further, that document specifically instructs auditors to examine cost transfers for allowability. Any transactions that would be deemed to be noncompliant or disallowed may result in reimbursement to a grantor or loss of future grant funding. College & University Business Administration, 7th Edition, a publication of the National Association of College and University Business Officers (NACUBO), also states that auditors have disallowed cost transfers made near the end of a project period when they appeared to be primarily done to utilize remaining funds before a grant expired. For these reasons, every effort should be made to avoid cost transfers by ensuring that the correct fund is provided when a transaction is initiated by any method (including payroll notifications, requisitions, direct pay forms, commercial card transactions, and travel authorizations).

It is important for financial managers and PIs to review their accounting activity on a regular basis to ensure that all expenditures are properly recorded and to request cost transfers when necessary. When a transaction that applies to a grant or sponsored project is charged to a college, department, or other unrestricted fund, the following criteria must be met in order for a cost to be transferred to a restricted grant or project fund:

• Cost transfers must be requested within 90 days of the Banner transaction date and
• Requests for cost transfers must include sufficient explanation to justify the need for the transfer. The statement “to correct an error” is not sufficient.

Requests for cost transfers should be sent by email to the USI accounting contact for the fund. Note that payroll expenses cannot be reallocated after the effort has been certified.

D. Budget Adjustments

OMB Circular A-110, subpart C, paragraph ___.25 (a) states that,

“The budget plan is the financial expression of the project or program as approved during the award process.”

Paragraph ___.25 (b) further states that,

“Recipients are required to report deviations from budget and program plans, and request prior approvals and program plan revisions, in accordance with this section.”
After a grant is awarded, budget adjustments between categories often require agency approval. For example, moving budget from salaries to supplies or vice versa generally requires justification and written approval from the grant/business officer of the granting agency. (Please note that program officers are generally not authorized to permit exceptions to agreements or fiscal compliance policies and practices.) Such budget adjustments must be approved before expenses are incurred as budget overages and/or disallowed expenses in grants and sponsored project funds must be covered by the fund-orgn of the PI’s department.

E. Effort Certification

Effort is defined as the proportion of time an individual spends on a particular activity. Individual effort is expressed as a percentage of the total amount of time spent on work-related activities (instruction, research, administration, etc.) for which the university compensates an individual.

Effort certification reports show the total payroll distribution for an employee in terms of percentage. The report accounts for 100 percent of all effort for which the university compensates the individual during a period of time, regardless of how many or how few hours an employee works and regardless of the percent FTE listed on the appointment. Even where the number of hours of effort the individual expends each week substantially exceeds the “normal” workweek of 37.5 hours, effort percentages must be based on total effort, not hours.

The purpose of effort certification is to confirm that the distribution of effort shown on the certification report reflects a reasonable estimate of the percentage of total effort that was spent on each activity. Effort reporting serves as a vehicle to monitor time dedicated to projects, and ensures that investigators are upholding the responsibilities that they have committed to an agency. Effort certification must reflect actual work performed and cannot be budget-driven.

Federal regulations acknowledge that teaching, research, service, and administration are often inextricably intermingled in an academic setting and allow for an acceptable variance between the actual effort for a sponsored project and the effort as certified on the statement. At the University of Southern Indiana, a variance or tolerance of no more than five percent is considered an acceptable estimate. If the actual effort differs from the pledged or committed effort for the report period by +/- five percent, the individual certifying the report must note the correct percentages on the effort certification form.

Effort certifications are distributed to deans or directors and should be signed directly by the employee listed when possible. In rare cases when it is not reasonably possible for the individual employee to certify, the report may be certified by an individual with suitable means or direct knowledge of the work performed12 (i.e. principal investigator or project director).

Effort certification is required for individuals that receive any compensation from federal sources or commit effort in the form of cost sharing for federally sponsored projects. This requirement applies to salaries and/or wages from any federal sources including federal funds that flow through one or more other organizations before being awarded to USI. Some grants and contracts from non-federal sources also require effort certification. A sample Effort Certification form is included in appendix F of this document for your reference.

12 Section J.10.d.(1) of OMB Circular A-21