



Retroactive reallocation of costs (henceforth 'retro costing') is a transfer of expense previously recorded elsewhere on the Vanderbilt University (VU) General Ledger (GL), e.g. from one sponsored award to another, or from an area's operations to an endowment or gift fund, and identified by VU as requiring institutional approval before it can be posted to the GL.

While retro costing is to be minimized overall, it is recognized that occasional corrections will be required. Transfers that are frequent, tardy or inadequately explained, particularly on awards with overruns or unexpended balances, raise questions about the propriety of the transfers, the ability of the Principal Investigator (PI) to manage the account, and the reliability of the university's internal controls.

This procedure is complementary to the Retroactive Reallocation of Costs administrative policy and defines processes and procedures surrounding the after-the-fact reallocation of expenses that are considered cost transfers by the university.

Approval Process

Retro costing for compensation should be initiated by a person in the school/department who has appropriate knowledge and understanding of the needed correction. A request for correction is created via Finance's SharePoint site. The requestor must attach a screenshot verifying the proper payroll costing changes have been made in Oracle HCM. The approval process is managed through electronic workflow and the approvals required vary based on the type and age of the transaction being corrected. Once all approvals have been obtained, payroll processes the request in Oracle. See approval flowcharts in Appendix A.

Retro costing for non-compensation should be initiated by a person in the school/department who has appropriate knowledge and understanding of the needed correction. Non-compensation retro costing falls into one of two source categories - Payables or Student Accounts. For payables related requests, Payment Services processes the correction in Oracle by adjusting the invoice after all required approvals have been obtained. The corrected invoice must then be approved via Oracle workflow before the correction will account in the general ledger. For Student Accounts related requests, the requesting department processes the corrections in PeopleSoft after all appropriate approvals have been obtained. See approval flowcharts in Appendix A.

All retro costing requests must include appropriate support and a justification statement regarding the reason for change. Examples of appropriate support include, but are not limited to, documentation establishing timeliness, reasonableness, allocability, and allowability. This is particularly important when a sponsored award is involved to maintain compliance with the provisions of the Office of Management and Budget ("OMB") as part of 2 CFR Part 200, Subpart E. Therefore, any retro costing request on a sponsored award, must specifically provide answers to the following questions:

1. How did the error happen?
2. How can the error be prevented in the future?
3. Why is the change needed?

Threshold

For Project Portfolio Management (PPM) projects, retro costing on compensation expense must meet a \$1,000 threshold or it will not be processed. For grants & contracts, CORES, and donor-restricted gifts & endowments, there is no threshold for retro costing. For compensation, the threshold represents the combination of the total salaries, wages, and benefits impact (inclusive of fringe).

PPM Compensation Transfer		Net Asset Class	Threshold
To/from	Faculty Funds	NAC 10	>\$1,000
	Grants & Contracts	NAC 15	No threshold
	CORES	NAC 25	No threshold
	Quasi Endowments	NAC 26	>\$1,000
	Gifts & Endowments	NAC 40	No threshold
	Capital Contributions	NAC 45	>\$1,000

For PPM projects and in accordance with the AP Corrections Policy, retro costing on non-compensation expense must meet a \$10,000 threshold or it will not be processed. For grants & contracts, CORES, donor-restricted gifts & endowments, and removing incorrect expenses from capital assets, there is no threshold for retro costing.

PPM Non-Compensation Transfer		Net Asset Class	Threshold
To/from	Faculty Funds	NAC 10	>\$10,000
	Grants & Contracts	NAC 15	No threshold ⁽¹⁾
	CORES	NAC 25	No threshold
	Quasi Endowments	NAC 26	>\$10,000
	Gifts & Endowments	NAC 40	No threshold
	Capital Contributions	NAC 45	>\$10,000
	Capital Assets	Varies	No threshold

⁽¹⁾ For Grants & Contracts, non-compensation cost overruns <\$1,500 may be moved via manual entry within PPM by the respective Research Finance Analyst at the department's request.

In accordance with VU's Journal Entry Policy, retro costing between accounts, financial units, programs or activities must be made in the source sub-ledger. Retro costing between COAs must meet a \$10,000 threshold or it will not be processed.

Time Period

Retro costing must be submitted within 90 days of the original charge or initially recorded charge and within the current fiscal year.

The 90-day time period begins the first day of the month after the "accounting date" of the original charge. For example, if the original transaction's accounting date is April 10, the first day of the 90-day counting begins on May 1. This transfer period runs until the transfer request is approved by the final approver per the workflow charts in Appendix A. The deadline of 90 days is the standard used by federal agencies and their auditors to determine whether costs are reasonably charged to awards appropriately. As an institution, VU is adopting this standard for all retro costing activity in support of GAAP internal reporting and to create a discipline of reviewing area performance timely (at least quarterly).

Exceptions beyond the 90-day limit are rarely granted. However, expenditures against grants, contracts, CORES, and restricted gifts/endowments that have been determined to be "unallowable" must be corrected, regardless of when discovered. All retroactive cost reallocations that are submitted to the approving central office over the 90-day limit are subject to additional leadership approval.

Retro costing for compensation is processed once a month. In order for a correction to be completed (i.e.

account to the general ledger) in a given month, it must make it through the full approval process by the second to last business day of the month.

Accounting Treatment

In the event retro costing impacts activity in a prior fiscal year, the source sub ledger must remain in sync with the GL in accordance with VU's Journal Entry Policy. To maintain the integrity of previously audited financial statements, retro costing must be closely monitored, especially where Oracle processes may generate or unwind indirect cost recovery and expenses are shifted between net asset classes (NACs). The Controller must approve all prior fiscal year retro costing impacts and determine appropriate accounting treatment, e.g. whether a 3020 net assets transfer may be appropriate.

Accounting should be able to review the entries to ensure there are no material adjustments, track them accordingly, and provide them to an external auditor to demonstrate that no material retro adjustments were made in alignment with VU's Financial Reporting Policy. In support of this, Payroll will generate reporting each period summarizing all retros in the current fiscal year that impact prior fiscal years and place it in a central BOX folder that is accessible to Accounting by the last day of the month. (Payroll will run retros as two object groups – one for standard retros and another for exceptional retros.)

Key Terms

Accounting Date – Date per Oracle used as the date a transaction accounts to the general ledger.

GAAP – Generally Accepted Accounting Principles, represents a framework of accounting standards, rules, and procedures governing financial reporting.

Net Asset Class – within VU's chart of accounts (COA) structure, indicates (a) level of restriction for the related net assets (i.e., unrestricted, temporarily restricted, or permanently restricted); and (b) use of the funds.

Salary Costing – also referred to as labor costing – is the process of determining where to expense a person's compensation and over which period(s) of time. This is necessary to comply with grant- and contract-funded research as well as the requirements of certain gifts to the university.

POET – The four segment accounting string used to record project related expenses. The segments include Project Number, Organization, Expenditure Type, and Task.

Project Portfolio Management (PPM) – a sub-ledger used to track activities that span multiple fiscal years.

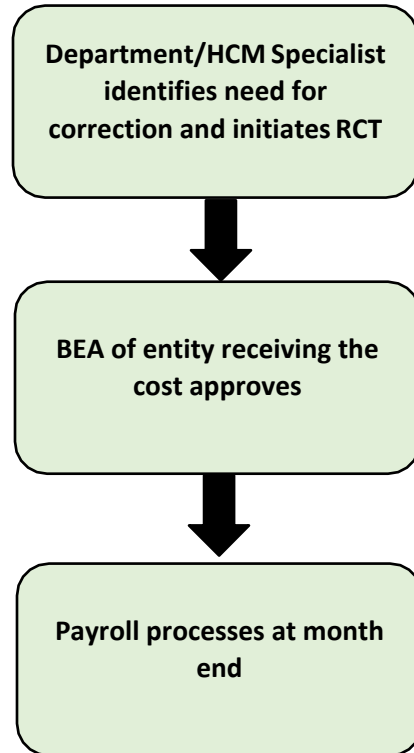
Unallowable Expense – Expense deemed unallowable by federal or sponsored rules and regulations, or donor gift agreement, or internal guidelines for donor-restricted gifts and endowments.

Forms

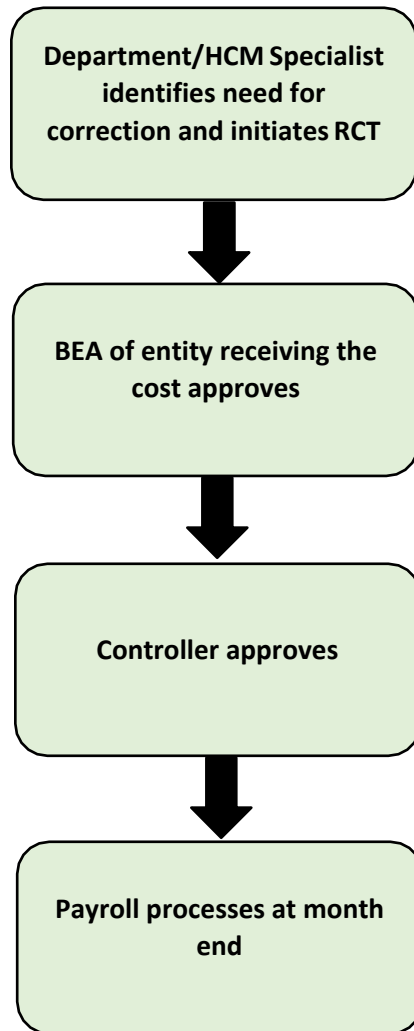
The forms related to retro cost transfers are electronic templates filled out by the person making the request. These templates can be found on the Forms Center of the Finance SharePoint site.

APPENDIX A – WORKFLOW OF APPROVALS FOR RETRO COSTING

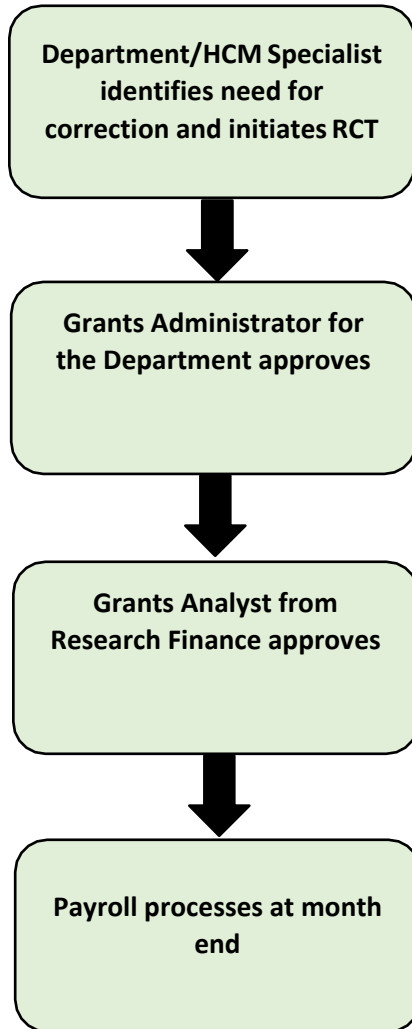
SALARY RETRO – NOT ON A SPONSORED PROGRAM – LESS THAN 90 DAYS OLD



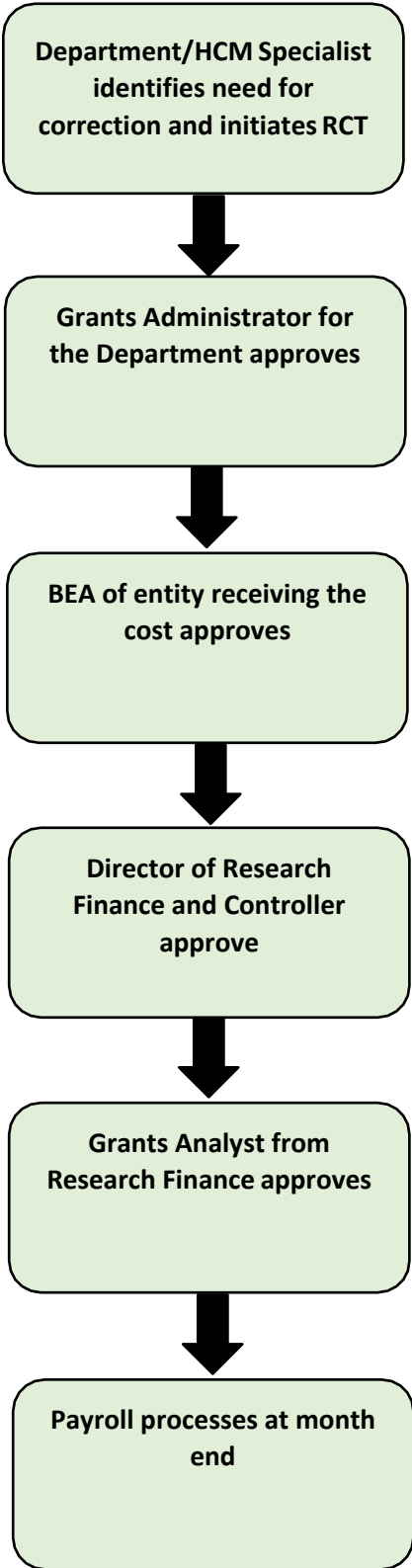
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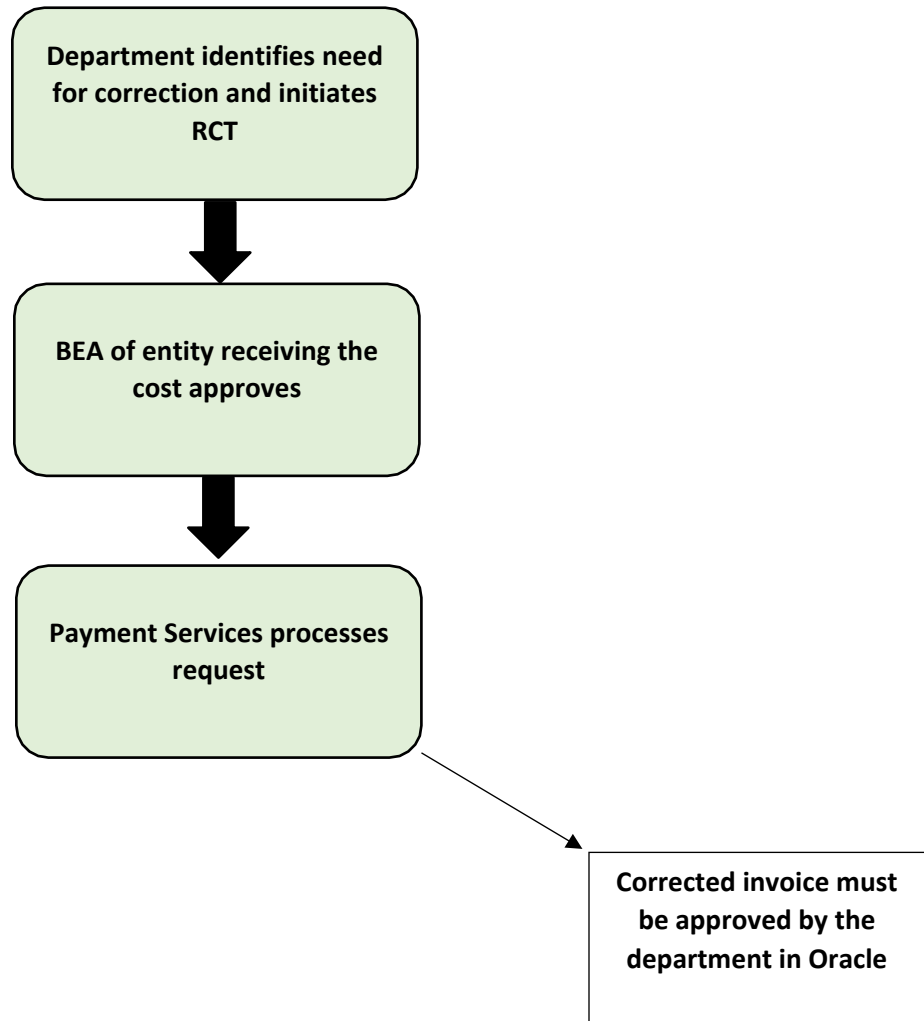
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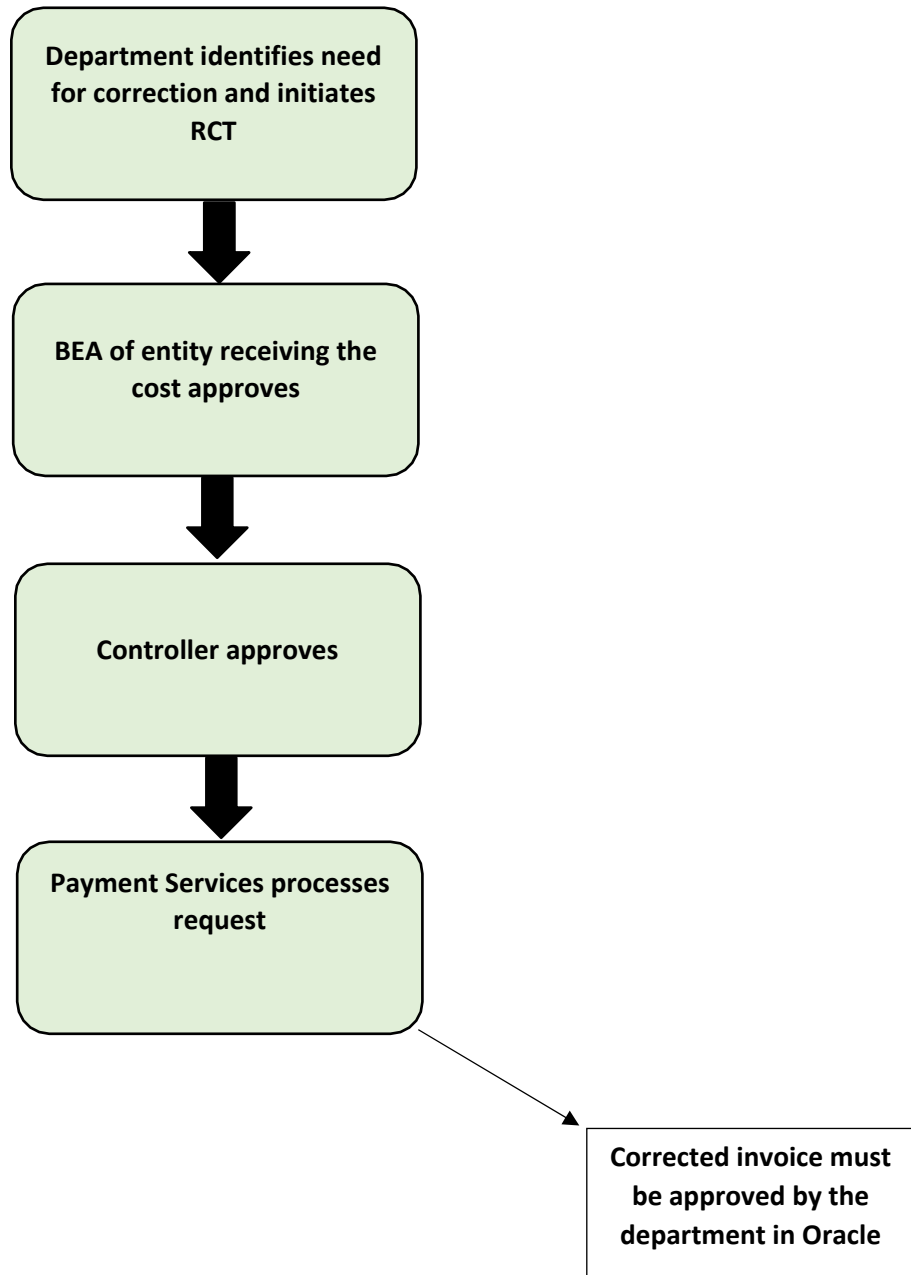
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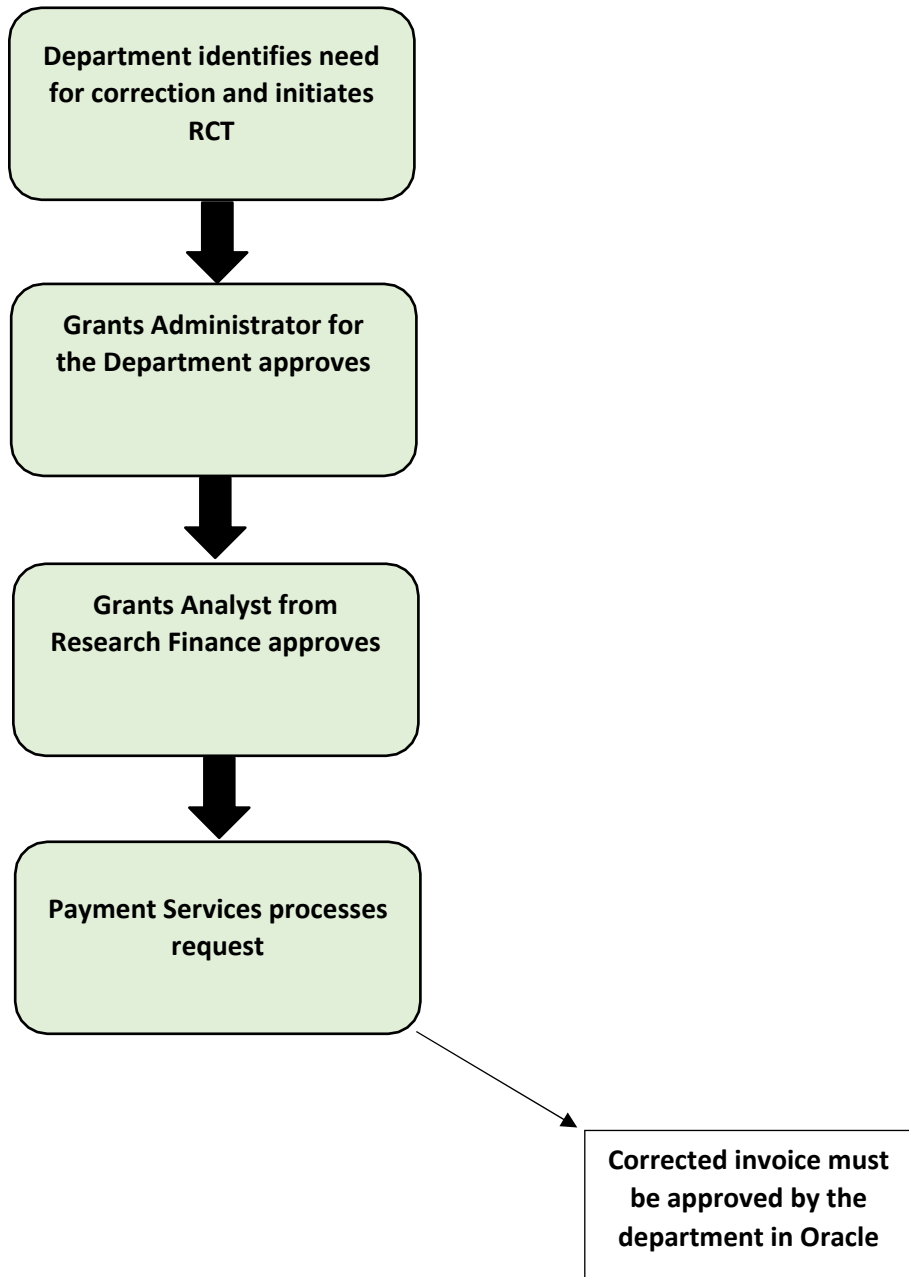
PAYABLES RETRO – NOT ON A SPONSORED PROGRAM – LESS THAN 90 DAYS OLD



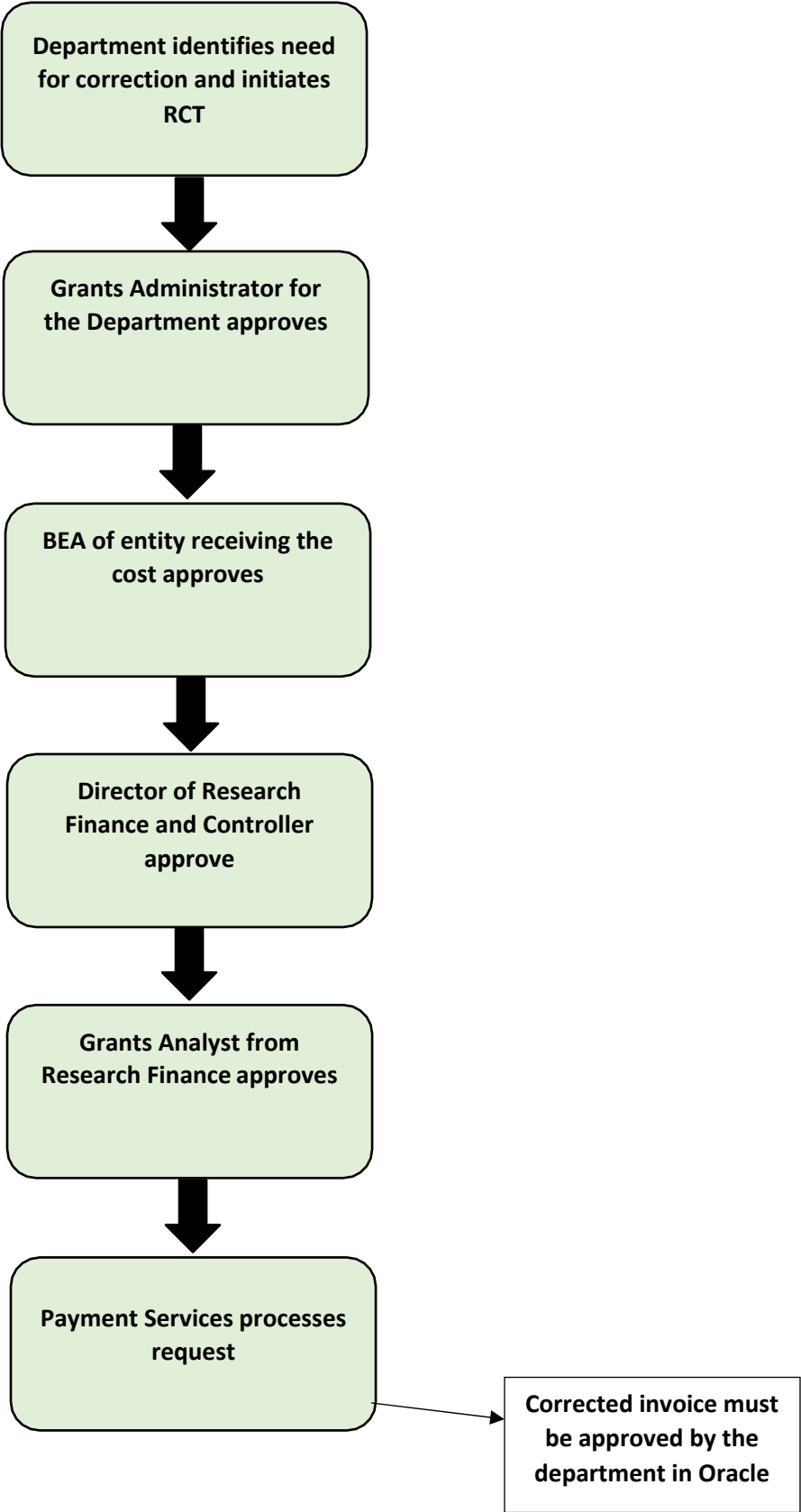
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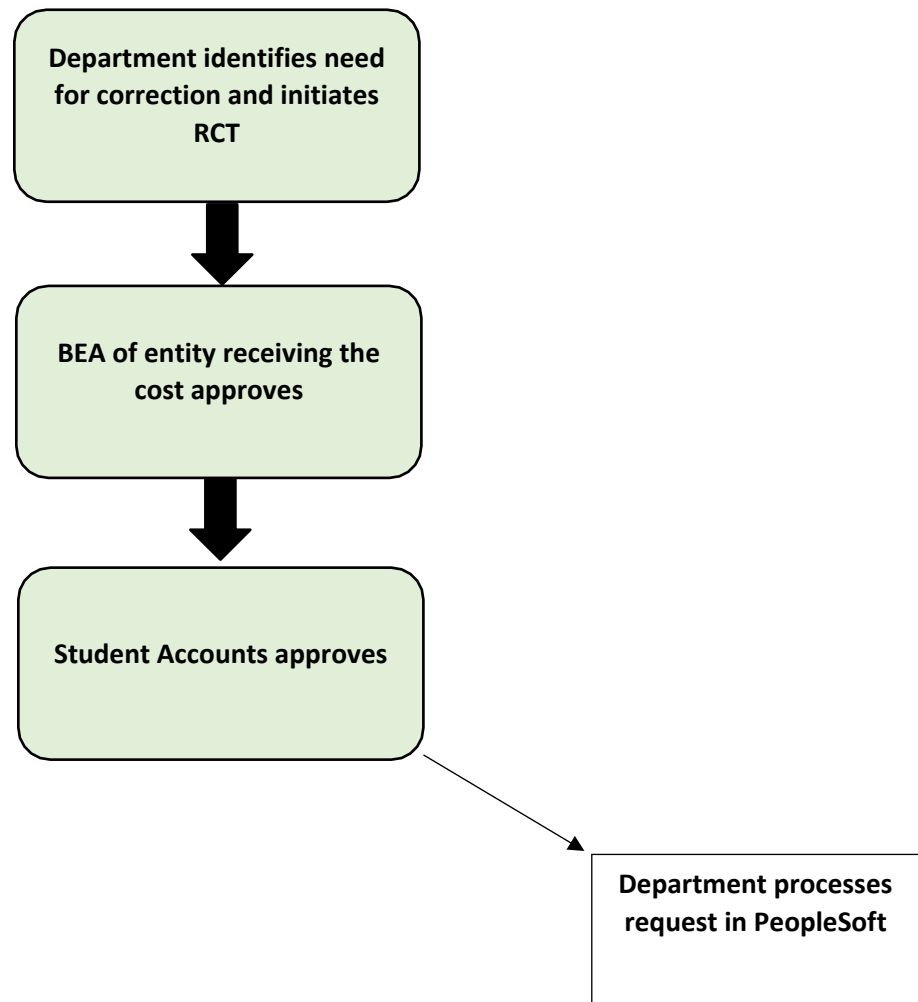
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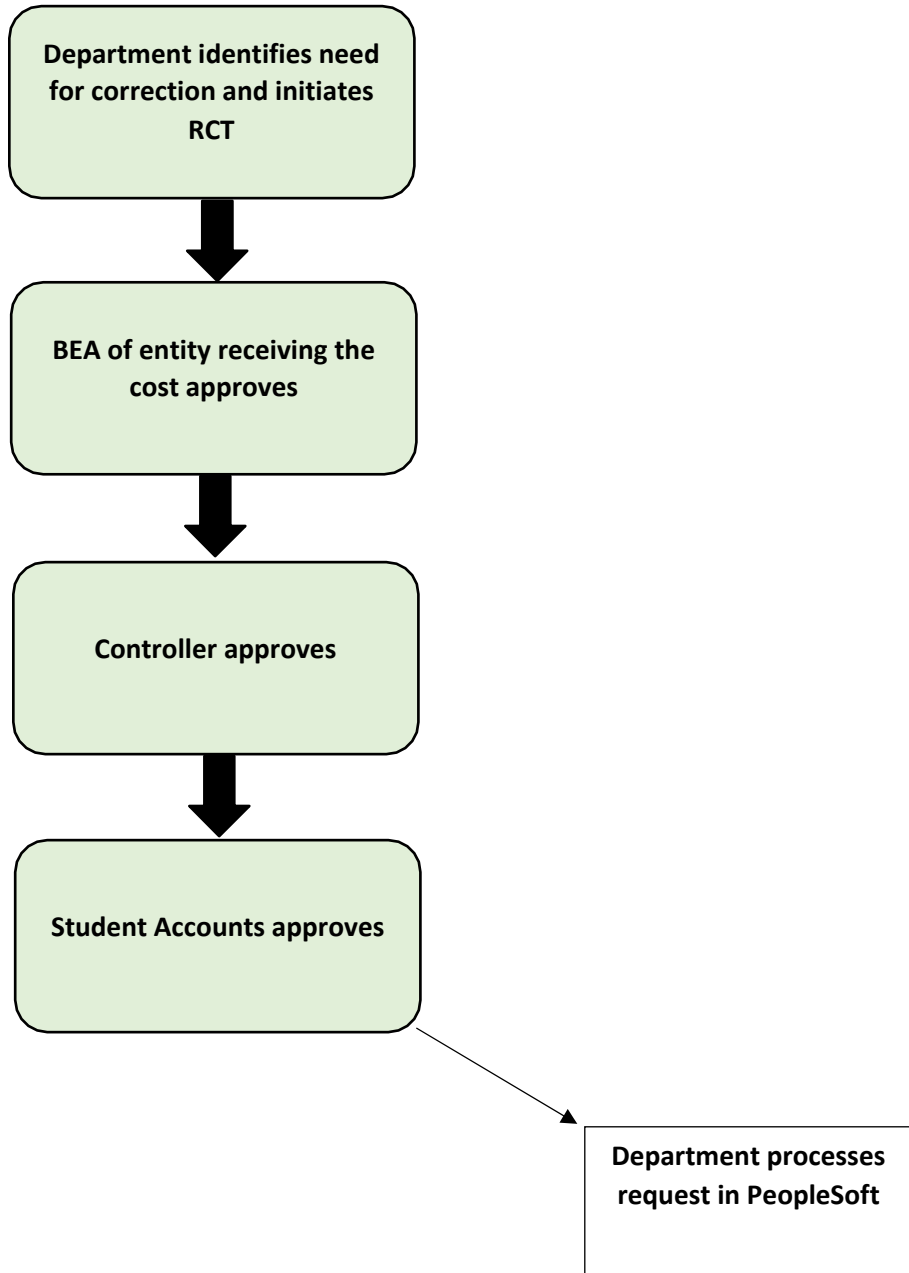
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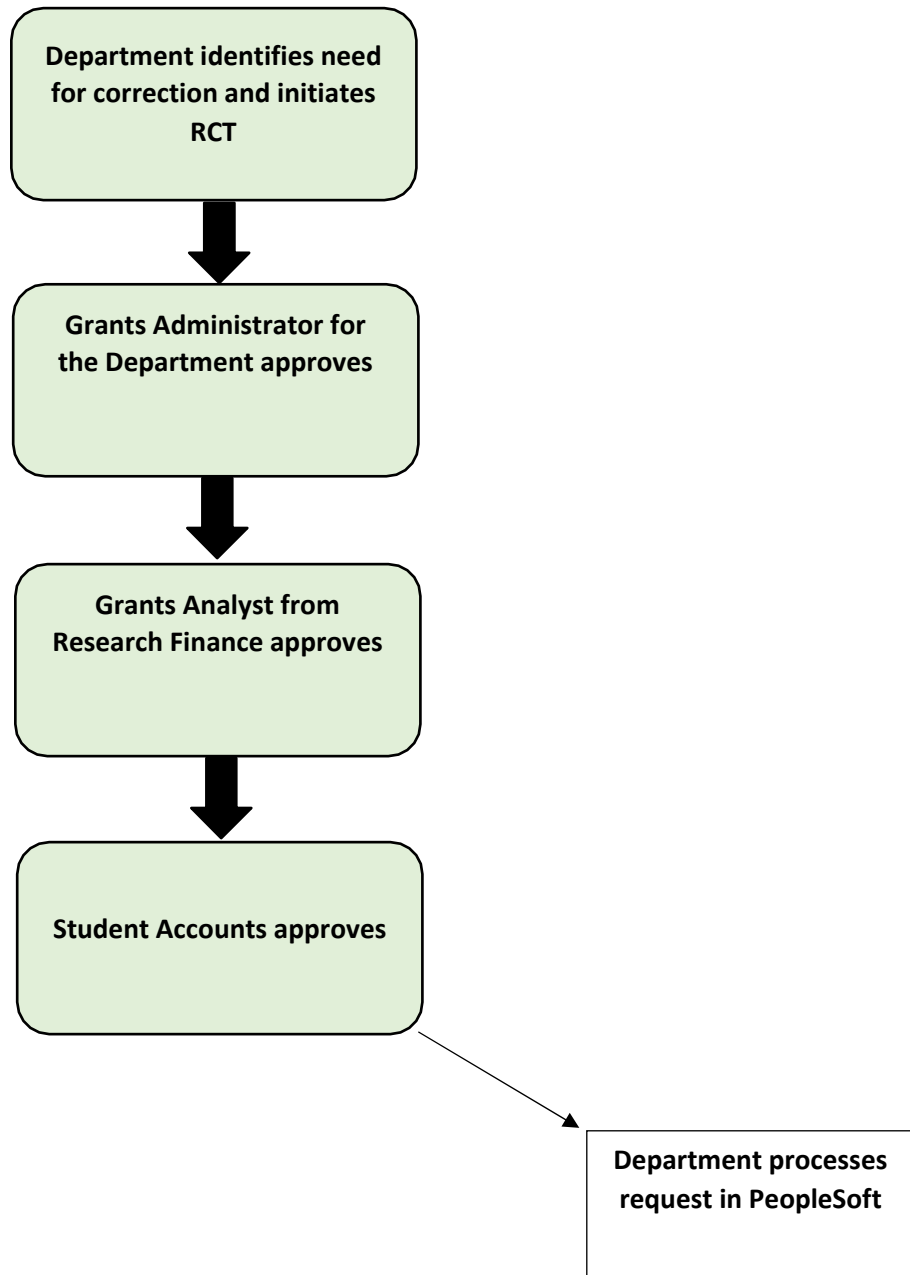
STUDENT RETRO – NOT ON A SPONSORED PROGRAM – LESS THAN 90 DAYS OLD



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