Electronic Cost Transfers for Campus Administrators

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Abstract

A Research Development and Administrative Study completed in FY 1998, indicated that sponsored project directors and unit financial officers required timely and accurate financial information on a daily basis for successful management of sponsored programs. To meet this requirement, the Institute has developed and implemented financial systems that provide a variety of sponsored program financial information that is updated daily on a Web-based reporting system that is available to Project Directors and authorized financial mangers. A Salary Planning and Distribution System that permits daily updates to salary charges to sponsored projects, a Procurement Systems with direct entry of requisitions to the financial system as pre-encumbrances, and a Purchasing Card system to permit procurement of small dollar items on an as needed basis have been implemented to support this financial reporting system. All of these steps have supported the goal of providing timely and up-to-date financial records to project management on a daily basis. However, procedures for processing cost transfers or corrections, when required, continued to be managed using paper based procedures that require duplicate data entry, approvals and processing procedures performed by three offices, and a minimum of ten to fifteen business days for processing. The processing delays in this procedure can cause the financial records to be incorrect for ten to fifteen business days.

The matter of cost transfers or corrections is a sensitive issue in the Institute's financial operating procedures for sponsored programs and one which always receives careful scrutiny by sponsor representatives, and federal government contracting officers and auditors. The fact that an operating unit requests cost transfers or corrections, which represents a change to all prior approvals and documentation originally submitted to initiate the transaction, can be recognized as an indication that the unit's internal operating and control procedures may be inadequate or might not be working properly. Accordingly, the development of a new system and procedures to manage cost transfers and corrections has to incorporate controls to help assure compliance with Institute policies. Therefore the new procedures, developed to reduce processing time, were established pursuant to sound business practice in order to ensure full compliance with federal regulations, contract and grant terms, and other conditions concerning cost transfers for sponsored programs. These business processes include procedures for routine compliance tests to confirm the accuracy and acceptability of completed transactions.

Based on these requirements, action was initiated in FY 2003 to develop and implement an electronic system that could be used by unit financial managers throughout campus to process cost transfers and corrections in a timely manner and to help assure that the financial records for sponsored programs are maintained as accurately and up-to-date as possible for financial mangers in all units throughout campus.

Introduction of the Organization

The Georgia Institute of Technology, also known as Georgia Tech, is one of the nation's leading research universities, providing a focused, technologically based education to nearly 17,000 undergraduate and graduate students. Georgia Tech has many nationally recognized programs, all top-ranked by peers and publications alike, and is ranked in the nation's top ten public universities by *U.S. News and World Report*. It offers degrees through the Colleges of Architecture, Engineering, Sciences, Computing, Management, and the Ivan Allen College of Liberal Arts. As a leading technological university, Georgia Tech has more than 50 interdisciplinary research centers that consistently contribute vital research and innovation to America's government, industry, and business.

Founded in 1885 to help build Georgia's technological infrastructure, Georgia Tech exceeded the expectations of its founders by becoming a multi-faceted research university that serves as a source of new technologies and a driver of economic development. With a clear vision of technology and leadership, the Institute provides a cutting edge education for the 21st century.

During FY 2003, the Grants and Contracts Accounting Office managed over 12,000 sponsored projects and subprojects that supported over $248 million in sponsored program expenditures.

Statement of the Problem/Initiative

Management of sponsored project expenditures according to terms and conditions of agreements and the approved budget requires that the Project Director and unit officer routinely review financial reports to confirm that all charges to the projects are allowable and properly recorded. When these reviews identify incorrect or unallowable charges, or charges that will cause total expenditures to exceed available funding, corrective action is to be taken in a timely manner. Since most sponsored projects require invoices to be prepared on a monthly basis, corrective action must be taken within 30 days to avoid incorrect billings and collections from sponsors.

Existing cost transfer or correction procedures, designed to assure compliance with Institute and federal cost accounting regulations, were based on preparation of Cost Transfer Request Forms. Once prepared, these forms require the review and approval of authorized unit financial officers and/or Project Directors, Grants & Contracts Accounting Officers, preparation of a Journal Entry form, and data entry into the Institute General Ledger System by the General Accounting Office staff. Completion of a cost transfer using these procedures requires a minimum of ten to fifteen working days when all information is found to be acceptable. If changes to project numbers, account codes or project budgets, or if additional supporting documentation is required, processing time is increased.

In an effort to take advantage of the features of the PeopleSoft Financial System, and to decrease the amount of time required to make required corrections to sponsored project financial records, the Institute initiated work to develop a system to utilize PeopleSoft System features to accomplish much of the cost transfer work that has been done

manually. The new process was to eliminate duplicate data entry, which requires extra

effort and increases the chance of errors, utilize existing system features to accomplish

edit and review procedures performed manually during the approval process, and to

reduce the overall time required to make most of the corrections to sponsored project

financial records. In addition, the system was to incorporate acceptable documentation,

approval, and compliance review features to meet Institute and federal cost accounting

standards.

Design

The goals outlined for the new system were to provide the means for authorized unit financial officers to make timely cost transfers between projects directly to the Institute financial system from their desktop computers, within certain restrictions. Whenever possible, the new cost transfer system would replace the manual Cost Transfer Request Form that requires extra effort, is time consuming, and difficult to monitor. The new system was to eliminate the need for duplicate data entry, improve processing accuracy using edits built into the system, and improve the timeliness of required corrections to the sponsored project records.

The Grants and Contracts Accounting Office worked with a team of representatives from the Controller's Office, General Accounting Office, Office of Information Technology, and unit financial officer representatives from both large and small academic units on campus.

System development, design, and implementation work was accomplished by existing staff members with significant experience in the management of sponsored programs and/or the PeopleSoft Systems. Whenever possible, the design plan utilized features available in PeopleSoft or other existing financial systems to minimize development work, and to provide a system that would be familiar to campus users. Special attention was devoted to the development of new data edits to perform routine verification procedures that must be done manually when using the paper process. These edits perform the first verifications at the time of initiation of the entry by the unit financial officers, to provide an opportunity to make corrections before submission.

To be accepted by the Electronic Cost Transfer System, proposed cost transfers must meet the following system edits:

1. Projects are active in the current FY Chart of Accounts.

2. Accounts (Object codes) are active in the current FY Chart of Accounts.

3. Accounts (Object Codes) changed are not for Personal Services.

4. Accounts (Object Codes) changed are not for indirect expense accounts.

5. Project receiving the charge has budgeted available funds that are greater than the amount of transfer.

6. Sponsored projects have not reached the term date.

7. Original posting dates are for the current fiscal year.

8. Amounts entered must net to zero to create a balanced entry.

These edits were selected to eliminate the significant delays that occur when these errors are identified during the processing of cost transfers using the paper process. Performance of these edits before acceptance into the system will eliminate these problems at the start, and will help assure timely processing.

To comply with the existing levels of authorization for unit financial managers, two categories were established for processing electronic cost transfers.

Category "A" - Direct Processing

Cost Transfers identified as a Category "A" - Direct Processing will be processed and posted to the General Ledger with the next system processing cycle. These entries will meet the following system edits:

- Total charges transferred must be less than $5,000

- Original posting date must be less than or equal to 60 days prior to entry date.

- Account fields did not change between the "From" panel and the "To" panel

- Account fields do not cover Student Aid

Category "B" Cost Transfers – Review and Approval Required

All other entries by authorized users that are accepted by the system, but do not meet the requirements to be processed as a Category "A," will be identified as Category "B" Cost Transfers. Upon saving a cost transfer that does not meet the criteria in Category "A", the user will receive a message that the cost transfer has been accepted by the system and forwarded to Grants & Contracts Accounting for further review prior to approval. In most instances, these entries are reviewed and approved on the same business day for processing. In other instances, additional information or supporting documentation may be requested to document the acceptability of the cost transfer, and the entries will be processed once required documentation is on hand. If action cannot be taken or required supporting documentation is not received in a timely manner, the Cost Transfer Request will be cancelled from the system and the user will be notified.

<u>Supporting Documentation - Selection of Reason Codes</u>

The Electronic Cost Transfer System provides eight Reason Codes (such as Clerical Error, Incorrect Project Number) to be used to identify the cause of the cost transfer action. These Reason Codes, in conjunction with the justification, are used to support the need for the Cost Transfer. In addition, the Reason Codes provide an electronic means to identify financial procedures or activities that cause the errors requiring correction, or situations where financial officers may require additional training or additional staffing may be required.

<u>Supporting Documentation - Justification Required for Electronic Cost Transfers</u>

When using the Electronic Cost Transfer system, users must provide a statement in the Justification/Comment box. The information entered into this box is to explain the reason that the charges are to be moved to a different project or account, plus other pertinent information needed to support the change and indicate that the charges are acceptable to the project receiving the charge.

<u>Preparation and Maintenance of Electronic Cost Transfer System Records and Reports</u>

Each operating unit authorized to process Electronic Cost Transfers must establish and maintain files that support the Electronic Cost Transfers processed by the unit. These files start with the preparation of the Electronic Cost Transfer reports provided on a daily basis, records of the subsequent confirmation that the entries have posted as planned, and maintenance of these records for a period of five fiscal years. All such records are to be made available for compliance reviews and audits as required.

Authorization to Prepare and Submit Electronic Cost Transfers

Prior to receiving the training for access to the Electronic Cost Transfer System, each employee is required to submit an Authorization to Prepare and Submit Electronic Cost Transfers Form that is to be approved by their unit head. This form will authorize the use of the Electronic Cost Transfer System to make cost transfers for the units/departments designated on the Form. Each user will be asked to accept the following conditions concerning the use of the system.

"By accepting this authorization, I will:

1. Complete required Electronic Cost Transfer System training programs and examinations.

2. Utilize the Electronic Cost Transfer System in accordance with Institute financial policies.

3. Prepare and maintain required Electronic Cost Transfer System files and records according to instructions, including maintenance of these records for a five year period.

4. I understand that instances of non-compliance with these procedures may mandate additional training and/or revocation of this authorization.

This form also presents the understanding that any subsequent procedure problems that are discovered or costs that might be subsequently rejected by a sponsor that were derived from actions authorized by this individual, will be charged back to the authorizing unit in the fiscal year that the determination is made."

<u>Training Program</u>

To be eligible to participate in the Electronic Cost Transfer program and the training program, individuals must meet the following requirements:

1. Completion of four course prerequisites that cover other financial systems (such as General Ledger, Salary Planning and Distribution)

2. Appointments at the Accountant III level and higher.

3. Submit a completed Electronic Cost Transfer Authorization Form at the training.

As part of the training program, each participant must pass an examination that tests the user's understanding of cost transfer procedures, the use of the system, and requirements for maintenance of records. Upon completion of the training, the appropriate security classification will be set for the employee to use the system.

<u>Compliance Reviews</u>

All transactions submitted by Campus and Business Office users will be subject to routine compliance testing to confirm the accuracy and acceptability of completed transactions and the maintenance of required supporting documentation. Should the results of the compliance testing identify instances of non-compliance with policies and procedures, access to the system will be revoked until the employee attends an additional training session and successfully completes another examination. Should subsequent compliance tests indicate continuing problems or abuse of the Electronic Cost Transfer System, the user's access will be revoked for an extended period of time during which they will need to revert to the paper process to submit all cost transfer requests.

Implementation

The initial phase of the implementation process began in February consisting of two pilot groups from 22 units on campus, representing various Schools and Colleges across the Institute. These groups completed the required training program and were authorized to use the system for the first month. Based on feedback from the participants and the results of a Compliance Review performed on the initial transactions, assessments were made regarding the accuracy of cost transfer processing, adequacy of system reporting, ease of use, volume of transactions being processed, reduction in total processing time, and benefits gained by unit financial managers. Subsequently, a number of required enhancements were made to the system and the training program.

Upon completion of the system updates, enrollment in ECT training and use of the ECT system was opened to all eligible financial officers. A total of seventy-two financial officers enrolled and completed the training program to become authorized users between March and June 2003.

Benefits

The benefits of using the Electronic Cost Transfer System identified to date include:

1. The unit financial officers using the system have reported that the system is easy to use, has a quick response time, and it has increased the accuracy an speed of processing cost transfers.

2. During May 2003, 79% of all cost transfers (441 out of 556) were processed using the system, and the June percentage increased to 90% (826 out of 913). These percentages indicate that a significantly higher number of Cost Transfers were processed in a timely manner, which would improve the accuracy of financial reports for use of financial managers throughout campus.

3. The Cost Transfer System records provide information concerning the type and number of changes that must be processed. These records provide a valuable tool for the analysis of operating procedures that was not available for use previously. Proper use of these files will help identify the reasons that cost transfers are required and instances where additional training may be required.

Retrospect

Since implementation three changes to the system operating procedures have been identified for future consideration.

1. Current system only addresses cost correction between expense accounts. If the system were modified to process additional categories of adjustments, such as corrections to selected balance sheet and revenue accounts, an increased percentage of cost transfers could be processed using the ECT.

2. Current financial system requirements limit financial transaction to the current fiscal year. During the first two months of the fiscal year, cost transfers and corrections for charges that occurred within 60 days, but in the prior fiscal year, must be processed using the paper Cost Transfer Request Form procedures.

3. Access to use the Electronic Cost Transfer System has been limited to financial officers authorized to approve cost transfers. Unit financial officers have requested that we develop a second authorization level to permit unit level accountants to prepare proposed cost transfer entries for subsequent review, approval (or rejection), and submission by authorized unit financial officers.