

Procedures for Reduction of Expenditures on Sponsored Projects

What is a reduction of expenditures?

A reduction of expenditure on a sponsored project occurs when a payment is received from an entity other than the grant sponsor, reimbursing an expense that had previously posted to the project. Examples include but are not limited to:

- Reimbursement of travel expenses by a conference host or a 3rd party.
- A vendor refund for an overpayment, a duplicate payment, or the return of goods to a vendor after the original payment has already been made.
- A refund from a sponsored projects' subcontractor.

Processing a check transmittal when a refund or reimbursement is received.

Follow the normal check transmittal procedures to complete the check transmittal. These steps can be found by clicking the link below, and then clicking on the link titled FI_CT_300 Cash Transmittals Manual. The instructions pertaining to reductions of expenditures begin on page 32 of the presentation.

http://myhelp.uky.edu/rwd/HTML/FI/FI_CT_300.html

NOTE: Be sure to credit the expense GL account and WBS element on which the original charge was posted.

What backup documentation needs to be provided with the check transmittal?

- A **detailed** explanation of the circumstances that brought about the repayment.
- A copy of the check being deposited.
- A copy of the original payment documentation (including receipts) such as a DAV, PRD, travel voucher, procard receipt and edit, or Purchase Order invoices/transmittals.
- Any other information necessary to document or explain the reduction of expenditure such as emails, vendor correspondence, or travel award notices.

Specific Topics

1. Charges must be posted to the grant before a reduction of expense can be processed.

Before creating a reduction of expense transmittal and submitting it to Treasury Services, check SAP and make sure the original charge has been posted to the grant. For example, if a reduction of expense is being submitted for a procard charge, make sure the charge has first been edited to the grant. If the original charge is not on the grant:

- Create a manual transmittal to place the funds in the RFS Holding Account.
- Notify SPA.AR@email.uky.edu when the charge posts to the project.
- RFS will transfer the funds to the project when the expense is on the project.
- **NOTE:** if the charge should not have gone on the project (see Topics #2 and #3 below), be sure the original expense posts to a cost center rather than the grant.

2. Personal Expenses or non-grant related expenses charged to a WBS element.

Personal/non-grant related expenses are NOT allowed to be charged to a grant. Examples include the following:

- An employee traveler chooses to take a day trip or excursion offered at a price that is in addition to the conference registration.
- An employee traveler books a flight to a grant related conference and books an additional flight for a family member who is not attending the conference.

If such an expense is mistakenly charged to a grant, the expense must be moved to a departmental cost center via a Journal Voucher (JV). Once the JV is posted, the reimbursement can be applied to the cost center.

- Please consult the BPM Cost Transfer Policy for questions regarding the JV, necessary documentation, or the submission process:
<http://www.uky.edu/ufs/sites/www.uky.edu.ufs/files/bpm/Cost%20Transfer%20for%20Sponsored%20Projects.pdf>
- For additional assistance, contact the Compliance Specialist whose contact information may be found on the RFS website <http://www.uky.edu/ufs/accounts-receivable-compliance#Staff>

3. Travel reimbursements from 3rd party source (NOT the grant sponsor).

It is very common for faculty or students to be reimbursed by a 3rd party for travel expenses to an event such as a conference to present research or give a lecture. In the event of such a reimbursement, several topics need to be taken into consideration when processing the funds received.

a. Knowledge of reimbursement prior to travel

If the traveler knew prior to the trip that they would be receiving payment from a 3rd party for part or all of their travel expenses, the related expenses should be charged to a cost center, not a grant. When the 3rd party payment is received, the funds can be applied to the cost center via a check transmittal.

If the reimbursement covers only part of the total expenses, the remainder of the expenses that benefit the project that are not covered by the 3rd party can then be charged to the grant. See topics b and c below to determine the best method for the situation.

b. Allocation of reimbursement

Many reimbursements are received unexpectedly and without any designation regarding the expense(s) to be covered. In such cases, the funds received must be allocated on a percentage basis of the total expenses to all GL expense accounts charged for the trip. For example, if lodging was 50% of the total travel expenses, then 50% of the 3rd party funds need to be allocated to the lodging GL.

c. 3rd party reimbursements designated for specific expense(s)

In the event that the 3rd party providing the reimbursement states in writing that the funds are to pay for specific expenses, then an allocation is NOT necessary. For example, if the reimbursing party states that the funds are to help cover airfare expenses, then ALL of the funds would be applied to the airfare GL. If the reimbursement exceeds the specified expense, then the remainder of the funds would be allocated on a percentage basis to all the remaining expense GL's that were charged.

NOTE: In the backup documentation with the transmittal, please include a copy of the letter, email, or other correspondence from the 3rd party that indicates the expense that is being reimbursed.

4. "Refunds" for Clinical Trials

If funds are received from the clinical sponsor, the cash must be treated as clinical income rather than a reduction of expenditures even if the funds were to offset an expense not originally outlined in the agreement.

- Non-federal accounts – use GL 426006
- Federal accounts – use GL 415014.

Special Notes:

- If the department is aware that a refund will arrive via the RFS Lockbox or ACH, please email SPA.AR@email.uky.edu to notify RFS of the pending payment.
- Reduction of expenditures on projects that are closed must be processed on the old manual transmittal and should initially be placed in the Holding Account while the cash receipt is being reviewed by RFS.
- Refunds for prior fiscal year expenses are not subject to the same restrictions as cost center transactions. The refund can be posted to the grant during the life of the project and will be treated as a reduction of expenditure.

Questions:

- Please contact SPA.AR@email.uky.edu for any questions concerning reduction of expenditures or other cash posting topics related to sponsored projects.
- Please contact the Compliance Specialist in Research Financial Services for questions relating to JVs. Contact information can be found on the staff directory on the Research Financial Services website at the following link: <http://www.uky.edu/ufs/accounts-receivable-compliance#Staff>