

Procedures: Removal of Disallowed Expenditures from Sponsored Projects

Overview

These procedures outline the process for removing disallowed (unallowable) expenditures from sponsored projects in accordance with University requirements for cost transfers and financial compliance.

All expenditures on sponsored projects must be:

Allowable, allocable, reasonable, and adequately documented

Departments are responsible for ongoing review of expenditures to ensure accuracy and appropriateness, consistent with OP 61.06 (Cost Transfer) requirements for timely corrections.

Identification of Disallowed Expenditure

A cost may be determined to be disallowed through the following: review by Mississippi State University Sponsored Programs Accounting (SPA), departmental reconciliation, sponsor determination or as a result of an audit (internal or external).

Disallowed costs include, but are not limited to:

- Charges that do not directly benefit the project
- Costs that are not allowable under sponsor or federal guidelines
 - Example: Tuition on sponsored awards that do not allow tuition
- Expenses posted in error or outside the project period

Expectation once a Disallowed Expenditure is Identified

Within 30 calendar days of when the expense is determined to be unallowed, the department should review the expenditure and identify an appropriate non-sponsored fund where the disallowed expenditure can be moved. Unless the disallowed expense is payroll, the department should initiate a cost transfer (Journal Voucher-JV) to remove the charge. If the disallowed charge is payroll, a Job Labor Redistribution Form (JLRF) should be submitted meeting the above mentioned criteria.

The JV and JLRF, as appropriate, should include the notification of disallowance for proper record keeping. Explanations such as “to correct error” are not sufficient; documentation should include the reason for disallowance.

If SPA identifies the disallowed expenditures, they will notify the department and/or Principal Investigator (PI) and the notification will include the transaction details, the reason the cost is disallowed, the required corrective action and a reminder of the 30-day deadline for removal of the expense.

Submission and SPA Review

The department will submit the JV through Banner for the normal approval queue workflow and SPA will review for the completeness of justification and the appropriateness of the receiving fund (ensuring it is not another sponsored fund)

Monitoring and Follow-Up

SPA will monitor outstanding disallowed expenditures to ensure departments are completing the corrections within the stated timeframe.

Administrative Removal After 30 Days

If the department does not complete the cost transfer within 30 days of notification, SPA will process a JV to remove the disallowed expenditure and transfer the cost to the department's overhead (F&A) or other appropriate non-sponsored fund.

The department will be financially responsible for the cost.

Documentation Requirements

The JV or JLRF should include the communication specific to disallowed expenditure as well as the ledger or FRIGTRD screen showing original FOAPAL and charge.

Compliance Considerations

Disallowed expenditures should not remain on sponsored projects. Frequent or repeated issues may indicate internal control concerns and may result in additional review.

Quick Reference Timeline

- Day 0: SPA notifies department
- Within 30 days: Department completes cost transfer
- After 30 days: SPA removes cost and charges department overhead fund