

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Finance and Accounting
AREA: Expenditure Management

Number: 05.02.03

SUBJECT: Expenditure Reallocation and Correction

I. PURPOSE

The purpose of this policy is to define the allowable and appropriate method for University departments to use to reimburse another department for goods or services provided by a non-service unit of the University or to correct an expenditure which has posted to the incorrect cost center.

II. POLICY STATEMENT

When a University department reimburses another department for goods or services provided by a non-service unit of the University, the transaction must be recorded through the use of a journal entry. The journal entry will credit the service provider's cost center and will charge the procuring department's cost center. When a University department needs to correct an expenditure which has posted against a cost center improperly, the appropriate process to make this correction depends on the type of transaction (payroll or non-payroll) and the type of funds involved (all state, all local, or state and local). The matrix below indicates the appropriate process to use for each type of expenditure correction:

Type of Expenditure Correction	Type of Funds	Process/Document	Submit Form To
Non-payroll	Local to local	Journal Entry	General Accounting
	State to state	Journal Entry	General Accounting
	State to local	Voucher payable to Comptroller	Accounts Payable
	Local to state	Voucher payable to UH or UHS	Accounts Payable
Payroll	All	Payroll Reallocation	General Accounting

Non-payroll reallocations must include adequate documentation to indicate when and where the expense originally posted, and thus require a printout or Excel listing from the UGL01074 report with the transaction or balance underlined.

Expenditure corrections must conform to this policy; those not meeting the standards described will not be processed.

III. DEFINITIONS

- A. Non-service Units: All University departments not specifically authorized as service centers or auxiliaries.
- B. Service Centers: Service departments from which University departments may obtain goods or services via transactions called Service Center Vouchers ([MAPP 04.03.01](#)).

IV. LIMITATIONS ON TYPES OF TRANSACTIONS ALLOWED

The following restrictions apply to expenditure reallocations and corrections:

- A. Acquisition of goods and services from authorized University service centers and auxiliaries must be made with a Service Center Voucher ([MAPP 04.03.01](#)). However, high volume transactions, such as postage, long distance, and telephone charges may be processed through a data feed without a Service Center Voucher.
- B. A journal entry may not be used for payroll reallocations and adjustments. The Payroll Reallocation process must be used for those transactions.
- C. Equipment and furniture transfers between University departments are not financial transactions; therefore, journal entries may not be used to document such transfers. Appropriate Property Management forms must be used.
- D. Reallocations or corrections charging (debiting) state-appropriated cost centers are only allowed when the charge is reimbursable under state purchasing guidelines ([MAPP 04.01.03](#)). Only expenditure accounts may be used with these reallocations. All transactions affecting state-appropriated cost centers must be processed by voucher or payroll reallocation.
- E. In accordance with good business practices, the University requires departments to reconcile cost centers on a monthly basis. Consequently, all units must process reallocations and corrections within 90 days of the transaction date.

Reallocations may be processed between 90 and 180 days after the transaction date if the College/Division Administrator determines that the reallocation is necessary and submits a written justification.

Reallocations more than 180 days after original transaction will not be processed unless the transaction meets an exception criteria listed in item G below.

- F. Transaction processing deadlines apply to both contract and grant expenditures and non-contract/grant expenditures with the following differences:
 - 1. Non-contract/grant expenditures:
 - At the end of the fiscal year, the time frame for reallocations is shortened to meet the end-of-year processing cycle.
 - Prior fiscal year payroll and non-payroll reallocations will not be processed.
 - Prior year reimbursements must be processed as an equity transfer within allowable funds.
 - 2. Contract/grant expenditures:
 - Prior fiscal year payroll and non-payroll reallocations will be processed within the processing deadlines.
 - Prior fiscal year payroll and non-payroll reallocations that also involve non-contract/grant expenditures will be processed within the processing deadlines.

All reallocations of contract/grant expenditures between sponsored projects or between non-contract/grant funds and sponsored projects must be approved by the Division of Research.

G. Exception criteria to reallocation deadlines

1. All expenditures:

- a) Account code corrections within a fiscal year
- b) Changes in funding source or transfers between sibling projects on capital/construction projects
- c) Billing corrections within a fiscal year
- d) Liability account clearing within a fiscal year
- e) Payroll suspense within a fiscal year

2. Contract/grant expenditures:

- a) Account code corrections required for sponsor compliance
- b) Changes in funding source
- c) Transfers between parent-child or sibling projects
- d) Expenditure transfers across fiscal year required for sponsor and/or audit compliance

H. It is the certifying signatory's responsibility to ensure that expenditure transfers to different cost centers are appropriate and in compliance with the requirements or restrictions of the new cost center.

V. REVIEW AND RESPONSIBILITIES

Responsible Party: Senior Associate Vice President for Finance

Review: Every three years on or before March 1

VI. APPROVALS

Jim McShan

Senior Vice President for Administration and Finance

Renu Khator

President

Date of President's Approval: _____
October 4, 2018

VII. REFERENCES

[MAPP 04.01.03](#)
[MAPP 04.03.01](#)

REVISION LOG

Revision Number	Approved Date	Description of Changes
1	10/13/1992	Initial edition (Original document title: Expenditure Reallocation or Correction. Documentation was split into a Policy and a Procedure)
2	04/03/2000	Applied revised MAPP template. Combined Policy and Procedure into one document, entitled Expenditure Reallocation and Correction. Contents were rewritten to reflect current operating requirements. Changed responsible party to AVP for Finance
3	01/29/2004	Applied revised MAPP template. Rewrote procedure to include a matrix in Section II for the appropriate process to use for all expenditure corrections. Removed Addendum A and provided it as a hyperlink in documentation. Changed the responsible party to VP for Administration and Finance
4	06/09/2009	Applied revised MAPP template. Removed the requirement to submit a Labor Distribution Report for Payroll Reallocations from Section II. The reference to "Service Center Requisitions" was changed to "Service Center Vouchers" throughout the text. Changed the responsible party to the AVP for Finance. Changed review period from every three years on or before September 1 st to every three years on or before March 1 st . Removed Index Terms
5	05/29/2012	Applied revised MAPP template and added new Revision Log. Changed Form Submittal for payroll expenditure correction from Payroll to General Accounting in Section II. Added information to Section IV.D on state-appropriated cost center transactions to be processed by voucher or payroll reallocation. Added information on extended time frames for the Office of Contracts and Grants to Section IV.E. Added hyperlinks for documentation
6	12/04/2015	Removed "account" from Sections I and II. Rewrote Section IV.E on reallocation processing guidelines. Added Section IV.F on transaction process guidelines, both non-contract/grant expenditures and contract/grant expenditures. Added Section IV.G on exception criteria to reallocation deadlines
7	10/04/2018	Modified titles and hyperlinks as applicable. No additional changes were indicated by the Subject Matter Experts (SMEs)