

# OGCA Guidance: Labor Redistribution Justifications and Corrective Actions

## Purpose

Labor redistributions must clearly document **why salary charges are being moved between projects and how similar issues will be prevented in the future**. Federal sponsors expect documentation demonstrating that salary costs are **allocable, accurate, and supported by the work performed** in accordance with **2 CFR 200.405 (Allocable Costs)**.

Departments should provide **case-specific explanations** rather than generic or “cookie-cutter” statements.

Each labor redistribution explanation must address the following three elements.

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## 1. Work Performed

Describe the **activities performed on the receiving project during the affected pay periods**. The explanation should clearly demonstrate that the project receiving the salary **benefited from the work performed**.

Examples of appropriate descriptions include:

- Research oversight and supervision of project staff
- Laboratory testing and data analysis
- Field data collection and sample preparation
- Project coordination and reporting
- Development of experimental design or research methods
- Administrative coordination supporting project activities
- Preparation of required project documentation or reports

The description should be **brief but specific enough to show the relationship between the work performed and the project scope**.

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## 2. Reason the Salary Was Originally Charged Elsewhere

Explain **why the payroll distribution did not initially reflect the work performed**. The explanation should identify the **process issue that caused the incorrect charge**.

Common acceptable explanations include:

- Payroll distribution was not updated after project assignments changed
- Estimated effort at the time of payroll processing was incorrect
- Payroll setup error when the appointment was established
- Project activity began before payroll allocations were updated
- Error identified during routine financial reconciliation
- Administrative delay in updating payroll distribution

Avoid vague explanations such as:

- “Administrative oversight”
- “Mistake”
- “Human error”
- “To correct an error”

These statements do not adequately explain **what actually caused the incorrect charge** and may raise concerns about internal controls.

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### 3. Corrective Action to Prevent Recurrence

Each labor redistribution must describe **what process improvement or monitoring step will prevent similar issues in the future.**

Corrective actions should demonstrate **improved internal controls or monitoring**, not simply that the error was corrected.

Examples of acceptable corrective actions include:

- Payroll allocations will be reviewed during **monthly financial reconciliation** to ensure salary charges align with project activity.
- Payroll distributions will be updated **when project assignments change.**
- Effort allocations will be reviewed **at the start of each budget period.**
- Payroll charges will be verified during **routine departmental financial monitoring.**
- Communication between the PI and departmental administrator will be improved when project effort shifts occur.
- Payroll distributions will be reviewed during **effort certification periods.**

Corrective actions should focus on **process improvements**, such as monitoring, communication, or reconciliation.

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# Example Labor Redistribution Justifications with Corrective Actions

## Example 1

### Justification

During the affected pay periods, the employee performed project coordination, data analysis, and reporting in support of the receiving project. The salary was initially charged to another project because the payroll distribution had not yet been updated after the employee's responsibilities shifted. This labor redistribution reallocates the appropriate salary to reflect the work performed.

### Corrective Action

Payroll allocations have been updated, and the department will review payroll distributions during monthly financial reconciliation to ensure charges align with current project assignments.

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## Example 2

### Justification

During the affected period, the PI provided research oversight, experimental design guidance, and supervision of project staff supporting the receiving project. A portion of the effort was initially charged to another fund due to an incorrect estimated effort allocation.

### Corrective Action

Effort allocations have been reviewed and updated. The PI and departmental administrator will review planned effort distributions at the start of each budget period to ensure payroll reflects anticipated project effort.

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## Example 3

### Justification

During the affected pay periods, the employee conducted laboratory testing, data entry, and analysis supporting the receiving project. The salary was initially charged to another project because the payroll distribution was not updated when the employee's assignment changed.

## **Corrective Action**

Payroll allocations have been updated, and the department will review payroll distributions when staff responsibilities change between projects.

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## **Example 4**

### **Justification**

During the affected period, the employee performed field data collection, sample preparation, and documentation supporting the receiving project. The salary was initially charged to another project due to an incorrect payroll distribution entered during job setup.

### **Corrective Action**

The payroll distribution has been corrected, and payroll allocations will be reviewed during initial appointment setup and routine financial reconciliation.

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## **Example 5**

### **Justification**

During the affected pay periods, the PI and project staff conducted project planning, stakeholder coordination, and reporting supporting the receiving project. A portion of the salary was initially charged to another fund due to an incorrect estimate of effort when payroll was processed.

### **Corrective Action**

Effort allocations have been updated, and the department will review payroll distributions during regular reconciliation to ensure charges reflect actual project effort.

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## **Example 6**

### **Justification**

During the affected period, the employee performed project administration, coordination of research activities, and preparation of project documentation supporting the receiving project. The salary was initially charged to another fund due to a payroll allocation error identified during routine review.

## Corrective Action

Payroll allocations have been updated, and the department will incorporate payroll verification into its monthly financial reconciliation process.

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## Explanations Auditors Commonly Reject

Auditors frequently identify the following explanations as inadequate.

### 1. “To Correct an Error”

Example:

Salary is being moved to correct an error.

#### Why auditors reject it

This explanation does not describe the **cause of the error** or the **work performed on the receiving project**.

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### 2. “Administrative Oversight”

Example:

The charge was incorrect due to administrative oversight.

#### Why auditors reject it

This wording suggests weak internal controls and does not explain the underlying issue.

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### 3. “To Spend Down the Grant”

Example:

Salary is being moved to use available funding.

#### Why auditors reject it

Costs must follow the **benefit received**, not available funding. Charging costs to spend remaining funds is not allowable under federal cost principles.

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#### 4. “The Project Was Intended to Pay for This”

Example:

The project was intended to cover this salary.

##### **Why auditors reject it**

Intent does not justify a cost. Documentation must demonstrate that **work benefiting the project occurred during the affected period**.

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#### 5. Late Discovery Without Explanation

Example:

The issue was identified during review and is now being corrected.

##### **Why auditors reject it**

This explanation does not describe **why the issue occurred** or **why it was not identified sooner**.

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## Timing Considerations

Labor redistributions made **long after the original charge** may receive additional scrutiny during audits.

When redistributions occur significantly after the original payroll posting, explanations should also address:

- **Why the discrepancy was not identified earlier**
- **What monitoring process will ensure earlier detection in the future**

Example explanation:

The discrepancy was identified during monthly reconciliation when payroll distributions were compared to actual project activity.

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## Internal Review Questions for Departments

Before submitting a labor redistribution justification, departments should consider:

1. **What work was performed on the receiving project?**
2. **Why was the salary originally charged incorrectly?**
3. **What process will prevent this from happening again?**

If these three questions are clearly answered, the justification is generally **audit defensible**.