

UAS Cost Transfer Policy

Purpose of Statement

This document establishes the policies and procedures for transferring or moving costs from one restricted fund (or project) to another as they apply to externally funded grant and contract awards. The purpose of this policy is to ensure proper financial accounting, reporting and compliance with applicable federal and non-federal sponsor policies and guidelines.

This policy provides specific guidance relative to the accountability, allowability, timeframe, documentation and authorization requirements for cost transfers at UAS.

Policy Statement

This cost transfer policy establishes how a direct charge expense related to either salary or non-salary transactions may be moved or transferred from one restricted fund (or project) to another after the charge has been posted in the financial accounting records. All cost transfers across sponsored projects must meet four allowability cost principles for selected items of cost on grants, namely, reasonableness, allocability, consistency and conformance.

Proper management of sponsored awards (grants) is essential to meet the fiduciary responsibilities of the University. The federal government continues to place special emphasis on cost transfers when auditing federal awards. Audit reports have cited instances where costs are transferred from other projects many months after the original charges were recorded.

Both the government and the University recognize that cost transfers from one project to another are occasionally necessary to correct bookkeeping or clerical errors in the original charges. They also recognize that closely related work may be supported by more than one funding source, and transfer of costs may be required in these cases.

Frequent, late, or inadequately explained transfers, especially those that involve projects with overruns or unspent balances, raise serious questions about the propriety of the transfers. In addition, the reliability of the University's accounting systems and internal controls are questioned when there are frequent transfers. Therefore, cost transfers must be monitored carefully in order to ensure compliance with federal regulations.

Definition

Typically, cost transfers are appropriate when their purpose is to correct posting or bookkeeping errors in the original charges, to reallocate resources between accounts, or to transfer preaward costs.

A cost transfer will be made under appropriate circumstances when the charge qualifies as a direct cost of the sponsored project being charged. Direct costs are "those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy" (Subpart E, 200.413).

Cost transfers must be timely, preferably as soon as possible after the original transaction, but in any case not later than 60 days after the end of the month of the original transaction. Transfers made long after the original charge raise questions concerning the propriety of the transfer. Therefore, transfers made after 60 days will be considered only under extenuating circumstances.

All cost transfers must be supported by documentation that contains a justification for the transfer. The reason for each cost transfer must be properly and clearly explained, with the help of supporting documentation when appropriate, in order to prevent audit disallowances. The Department has primary responsibility for fulfilling these requirements and maintaining the related records. The office of Budget, Grants and Contracts may request copies of additional supporting documentation or information if questions arise during the review process. Great care must be exercised to ensure cost transfers are justified in a clear, complete and convincing manner. When transfers are inadequately documented, or are made for inappropriate reasons and therefore

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indefensible in an audit, the Department is responsible for these expenses and they must be transferred to other departmental fund one accounts.

The written explanation should clearly include the following:

- a) Description of the expense(s) being transferred, including why and when the original charge(s) occurred, AND
- b) Why the receiving fund number was not originally charged, AND
- c) Why it is appropriate to charge the receiving fund number, AND, if applicable,
- d) If the transfer is over 60 days the explanation must include a justification for lateness, AND
- e) How the error was discovered and what is being done to prevent this from occurring again.

Transfers made after 60 days will be considered only under extenuating circumstances. Extenuating circumstances include but are not limited to the following:

- a) The official award document, including amendments or modifications, was received after the start date of the award, causing a delay in the establishment of project account.
- b) The account number assignment was delayed because of negotiation issues.
- c) The official approval form from the sponsor for specific expenditures was received after the expenditure(s) was processed.
- d) The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expenditure(s) was processed.

Examples of incomplete and invalid explanations that are not acceptable as stand-alone explanations include the following:

- To correct coding
- To correct an error (other than bookkeeping)
- Departmental duties did not allow time for correction
- To charge correct account
- Work volume delayed charging the correct account
- To transfer salary or a portion of salary charges to the account for which the work was actually performed
- To correct salary distribution
- Redistribution of general departmental effort

Signing Authority

All cost transfers require the approval signatures of the principal investigator, the fiscal officer having departmental administrative responsibility for the research involved, and the UAS Administrative Services, Budget, Grants and Contracts Grant Manager.