

Research Services and Sponsored Programs

Policy 09.009

Area: Cost Transfers on Contracts and Grants

Authority: Dean of Graduate School and Research

History: Placed into effect March 2009

Responsible Office: Office of Sponsored Programs

Background

Proper management of sponsored awards 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. However, frequent and unsubstantiated cost 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. OMB Circular A-21 establishes principles for determining costs applicable to grants, contracts or other agreements with educational institutions as well as proper documentation required.

Purpose and Applicability: In order to transfer a cost TO a sponsored agreement, the cost must first meet the test of allowability. According to OMB Circular A-21, these standards are:

- they must be reasonable
- they must be allocable to sponsored agreements under the principles and methods provided herein
- they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances
- they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

In other words, expenses can only be transferred to a sponsored agreement if they are:

- Reasonable – A prudent person would have purchased the items and paid that price
- Allocable – Expenses are at least partially applicable to a sponsored agreement

- Consistently treated – expenses for similar purposes must be treated the same way (through the university) under like circumstances
- Allowable – The expense must be allowable or not specifically excluded as specified by government regulations or by the award terms and conditions.
- if an expense cannot meet the above criteria, it is not eligible to be charged against a sponsored agreement.

Definition

Typically, cost transfers are appropriate when their purpose is to correct posting or bookkeeping errors in the original charges, to reallocate resources between closely related accounts, or to transfer pre-award costs in accordance with the provisions of OMB Circular A-110, Section C.25.

<http://www.whitehouse.gov/omb/circulars/a110/a110.html-25>

Appropriate Circumstances

A cost transfer will be made under appropriate circumstances when the charge qualifies as a direct cost of the sponsored project being charged. OMB A-21, Section D.1 specifies that “direct costs are those costs that can be identified specifically with a particular sponsored project...or that can be directly assigned to such (a project) with a high degree of accuracy.”

Allowable Cost Transfers

The allowability of cost transfers is dependent on the following factors:

1. **Timeliness.** 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.
2. **Explanation and Documentation Requirements.** 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. OSP 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 indefensible in an audit, the Department is responsible for these expenses and they must be transferred to other departmental non-grant funds.

The written explanation should clearly include the following:

- a. description of the expenses(s) being transferred, including why and when the original charge(s) occurred AND
- b. why the receiving fund was not originally charged, AND
- c. why it is appropriate to charge the receiving amount AND,
- d. If the transfer is over 60 days* the explanation must include a justification for lateness.

*Transfers made after 60 days will be considered only under extenuating circumstances and reviewed by the Director, Office of Sponsored Programs. Extenuating circumstances include but are not limited to the following:

- i. The official award document, including amendments or modifications, was received after the start date of the award, causing a delay in the establishment of the grant fund.
- ii. The fund number assignment was delayed because of negotiation issues.
- iii. The official approval from the sponsor for specific expenditures 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:

- a. To correct coding
 - b. To correct an error (other than bookkeeping)
 - c. Departmental duties did not allow time for correction
 - d. To charge correct fund
 - e. Work volume delayed charging the correct fund
 - f. To transfer salary or a portion of salary charges to the fund for which the work was actually performed
 - g. To correct salary distribution
 - h. Redistribution of general departmental effort
 - i. To expend funds left in a specific fund
3. Signing Authority. All cost transfers require the approval signatures of the principal investigator(s), grants officer and, if large, out of the ordinary, or older than 60 days since the end of the month in which it was occurred, the director, OSP. If multiple departments/units are involved, signatures must be obtained from each unit.

Journal Vouchers

Journal vouchers are prepared to process current accounting entities and corrections for which other means of entry into the financial are not available effective or efficient.

General requirements and restrictions:

1. Journal vouchers are prepared on the UNCW Journal Voucher form. There must be appropriate documentation provided either through electronic or paper methods.
2. Supporting documentation must be attached to the original journal voucher form. Documentation should be sufficient for the reviewer to easily determine the intent of the preparer as well as the propriety and accuracy of the transaction. Check with the Accounting for specific requirements. An electronic copy must be emailed to the appropriate grants officer and the hard copy with supporting documentation attached or the electronic copy must have imaged documentation attached.
3. The full name of the preparer and signature of the approver within the originating department must be present. The preparer should initial beside their name. The preparer and approver should not be the same individual. Generally, the approver is the individual who has authority to sign for the originating department or their supervisor if they prepared the entry. If the requested action crosses departments or principal investigators, the budget authority for the department/grant accepting the charges must also sign.
4. Prior to submission to accounting, all journal vouchers involving grant funds (5xxxxx) must be processed through OSP.

Salary Reallocations

Personnel costs are high visibility charges and comprise the majority of most grant budgets. Changing the funding source impacts effort reporting since once a timesheet or T&E certification is certified and raises red flags and audit risks related to the university's systems and processes to ensure accurate costing and allocation. Care must be taken to pay employees from the correct source of funding originally. If salary reallocations are required to properly charge the correct funding source, the following process must be followed.

Payroll charges must be moved using a labor redistribution form (>LINK to form) during appropriate periods (within 60 days of payroll posting). There may be special situations of crossing calendar or fiscal years but these should be rare. All salary reallocation requests must include current and revised approved HR forms along with a detailed explanation of why the salary was not correctly charged when paid. The same unacceptable reasons listed previously apply to salary reallocation requests.

Contact: Director of Sponsored Programs, 910.962.3810, www.uncw.edu/policies

60 Day Cost Transfer Justification Form

In accordance with UNCW's prompt cost transfer policy, all cost transfers must be requested within 60 days of their occurrence and 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.

If a journal voucher or salary reallocation was not prepared and submitted prior to 60 days from the original Banner Finance entry, this form must also be used. There is no guarantee this request will be accepted and I understand circumstances may warrant these charges being charged to the departmental funds. I realize transfers made after 60 days will be considered only under extenuating circumstances.

The explanation must include the following elements:

- 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
- d. justification for lateness (over 60 days), AND
- e. what is being done to prevent this from occurring again.

Attach additional pages if more space is needed.

We certify to the best of our knowledge and belief these expenditures belong on the corrected/new fund and are for appropriate purposes and in accordance with the agreement set for in the grant/contract application and award documents.

Principal Investigator/Date

Department chair/fiscal officer/ date

Sponsored Programs Director/date

Grants Officer/date