

**University of Central Arkansas**  
**Extramural Funding Policies and Procedures**

Policy/Procedure Name: Cost Transfers for External Grants &

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Approved by: Council of Deans 1/28/09

Council of Vice Presidents (Senior Staff)

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**Purpose**

The University of Central Arkansas has a stewardship responsibility for all sponsored funds; proper management of sponsored project expenditures is essential to meet the fiduciary responsibilities. The intention is to clearly communicate the UCA cost transfer policy and address timing as well as process.

**Definitions**

**Original Charge** - the initial posting of a cost to the University's general ledger (e.g., payroll or accounts payable charges.)

**Cost Transfer** – any subsequent transfer of cost between or to externally sponsored cost centers. Cost transfers are implemented via a paper Journal Entry Transfers, or labor redistributions.

**Grants Accounting Office** – is charged with the responsibility of maintaining the official financial records for all extramural grant, contract, and matching accounts.

**Sponsored Programs Office** – is charged with the non-financial administration of sponsored research for extramural grant and contracts, and is responsible for the proper stewardship of all externally funded projects.

**Timeliness** – For grants and contracts with various project years, timely is considered 90 days from the date of the transaction in accordance with federal regulations and institutional policy, unless the reporting date is earlier.

**Policy**

It is the policy of the University of Central Arkansas that costs should be charged to the appropriate sponsored project when first incurred. There are circumstances in which it may be necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Those transactions require monitoring for compliance with UCA policy, federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects.

Each department is responsible for complying with and enforcing this policy. Any penalties, disallowances, or losses of funding caused by non-compliance with this policy will be assessed against the department in violation of the policy.

It is expected that the Principal Investigator (PI) or their delegate will review the fiscal status of their

sponsored project accounts regularly (monthly review is recommended) and promptly correct expense transactions that are incorrectly recorded. Departmental personnel are responsible for preparing and submitting the cost transfer with the knowledge and approval of the PI.

When reviewing federal awards, auditors continue to place special emphasis on cost transfers looking for items such as:

- Costs transferred many months after the original charges were recorded and
- Transfers not supported by adequate documentation or justification.

Both the sponsoring agencies and the University recognize that cost transfers from one cost center 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. ***However, frequent, late, and inadequately explained transfers, especially those involving projects with cost overruns or unexpended balances, raise serious questions about the propriety of the transfers.*** In addition, the reliability of the University's accounting systems and internal controls may be questioned when there are frequent cost transfers. Cost transfers will carefully scrutinized by Grant and Contract Accounting to ensure compliance with this policy.

According to the OMB Circular A-21, all external grant accounts must be "separately budgeted and accounted for." Therefore, all externally funded salaries and wages (federal, state and other) are to be paid directly from the appropriate grant account. Cost transfers for salary reimbursements to departments are generally not allowed except under unusual circumstances. A written justification is required and must be approved by Sponsored Programs and Grants Accounting.

### **Allowability of Cost Transfers**

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

#### A. Timeliness

Non-labor cost transfers must be timely, preferably as soon as possible after the original transaction, but in any case not later than 90 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 90 days will be considered only under extenuating circumstances. Labor related cost transfers also must be made in a timely fashion.

#### B. Appropriate Circumstances

A cost transfer is made under appropriate circumstances when the charge qualifies as a direct cost of the sponsored project being charged. OMB Circular A-21, Section D.1, and the University's Direct and Indirect Cost Policy, specify 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." Typically, cost transfers are appropriate when their purpose is to correct posting or bookkeeping errors in the original charges, or to reallocate costs among cost centers.

#### C. Explanation/Justification and Documentation Requirements

When the need for a cost transfer arises, a Cost Transfer Explanation and Justification Request must be completed and signed. The explanation for the cost transfer must be clearly stated and must be sufficient for an independent reviewer (i.e., a federal auditor) to understand the transfer and conclude that it is appropriate. According to federal regulations, “An explanation which merely states that the transfer was made ‘to correct an error’ or ‘to transfer to correct project’ is not sufficient.” Consequently, the Request may be returned to the Principal Investigator without approval because of insufficient explanation. The Department has primary responsibility for fulfilling these requirements and maintaining the related records. Grant and Contract Accounting may request copies of additional supporting documentation or information if questions arise.

## **Procedures**

All transfers of cost between or to an externally sponsored project after the original charge was posted are subject to the requirements of this policy. Cost Transfer Explanation and Justification Request Forms, must include a clear explanation for the transfer.

- A. Non-labor Cost Transfer Explanations/Justifications  
Great care must be exercised to ensure cost transfers are justified in a clear, complete manner. When transfers are inadequately documented, or are made for inappropriate reasons and therefore indefensible in an audit, the department is responsible for these costs and they must be transferred to other departmental cost centers.

The written explanation for non-labor cost transfers should clearly include the following:

1. Why was this expense originally charged to the account from which it is not being transferred, AND
  2. Why should this charge be transferred to the proposed receiving account, AND
  3. Why is this cost transferred more than 90 days after the last day of the month following the accounting period of the original transaction (if applicable)
  4. If the cost transfer is over 90 days the explanation must include a justification for lateness. Transfers made after 90 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 set up of the account number.
    - b. The account number assignment was delayed because of negotiation issues.
    - c. The official approval 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.
    - e. Others as deemed appropriate by the Director of Grant and Contract Accounting.
- B. The following are examples of transfers that do not need detailed explanations as described above.

1. Transfers to correct a data entry or transposition error.
  2. Transfers to routinely allocate direct expenses to two or more sponsored agreements that benefit directly from the expenses. Expenses must be reallocated for reasons other than covering an over-expenditure or under-expenditure. The costs must be allowable and should be allocated to the projects based on the proportional benefit of the cost to the project (If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, the cost may be allocated to projects on any reasonable basis, provided that the allocation procedure meets the standards of OMB Circular A-21, Section D.1, is fully and clearly documented within the Department, and is auditable by means of supporting documentation substantiating the allocation (e.g. usage log for an equipment maintenance contract). These also include the initial costs transferred from service centers such as: telecommunications, etc. However, such transfers must comply with the 90-day requirement.
  3. Transfers of expenditures from the prior year center to the competing or non-competing continuation center. (Continuation is defined as the same project that has the same agency core award number.)
  4. Transfers to reimburse the department procurement card. (A copy of the invoice for grant expenditures should be attached to the budget adjustment form.)
- C. The following documents must be attached to the cost transfer form:
1. Print out of the Banner Summary Year to Date Transaction Report that shows the posting of the original charge.
  2. Any other documents deemed necessary to support the explanation for the cost transfer.
- D. Transfers not meeting the above criteria will be rejected and returned to the department with the reason for the rejection, even if such costs were expected as part of the project closeout. If necessary, the final Financial Status Report will be revised.

### **COST TRANSFER EXPLANATION & JUSTIFICATION FORM**

**If transfer is made within 90 days, answer Questions 1 and 2 only; if over 90 days, answer all four questions.**

1. Why was this expense originally charged to the account from which it is now being transferred? (Indicate index number, account number, and amount to be transferred.)
  
2. Why should this charge be transferred to the proposed receiving fund? (Indicate index number, account number, and amount to be transferred.)
  
3. Why is this cost transfer being requested more than 90 days after the last day of the month

following the date of the original transaction? (Attach any necessary supporting documentation.)

4. What action is necessary to eliminate future need for cost transfers of this type? Is this action being taken?

Principal Investigator's Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Date: \_\_\_\_\_

**Note: By signing above, requestor certifies that the cost to be transferred is an appropriate expenditure for the sponsored grant or contract charged and that the expenditure complies with the terms and restrictions governing that sponsored grant or contract.**

If question 3 is applicable, the following approvals are required:

Financial Officer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name and Title: \_\_\_\_\_ Phone: \_\_\_\_\_