

Cost Transfers

University of Alaska Fairbanks - Cost Transfer Policy

Policy Statement:

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, and transfer of costs may be required in these cases. Frequent, late, and 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 pre-award costs in accordance with the provisions of 2CFR215.25. (OMB Circular A-110, Section C.25)

1. 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. 2CFR220.45 Section D.1 (OMB Circular 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."

Allowability of 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 Unit has primary responsibility for fulfilling these requirements and maintaining the related

records. The Office of Grants and Contracts Administration 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 Unit 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) a description of the expense(s) being transferred, including why and when the original charge(s) occurred, AND
- b) explanation 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:

- 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 project account.
- ii. The account number assignment was delayed because of negotiation issues.
- iii. The official approval form from the sponsor for specific expenditures was received after the expenditure(s) was processed.
- iv. 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

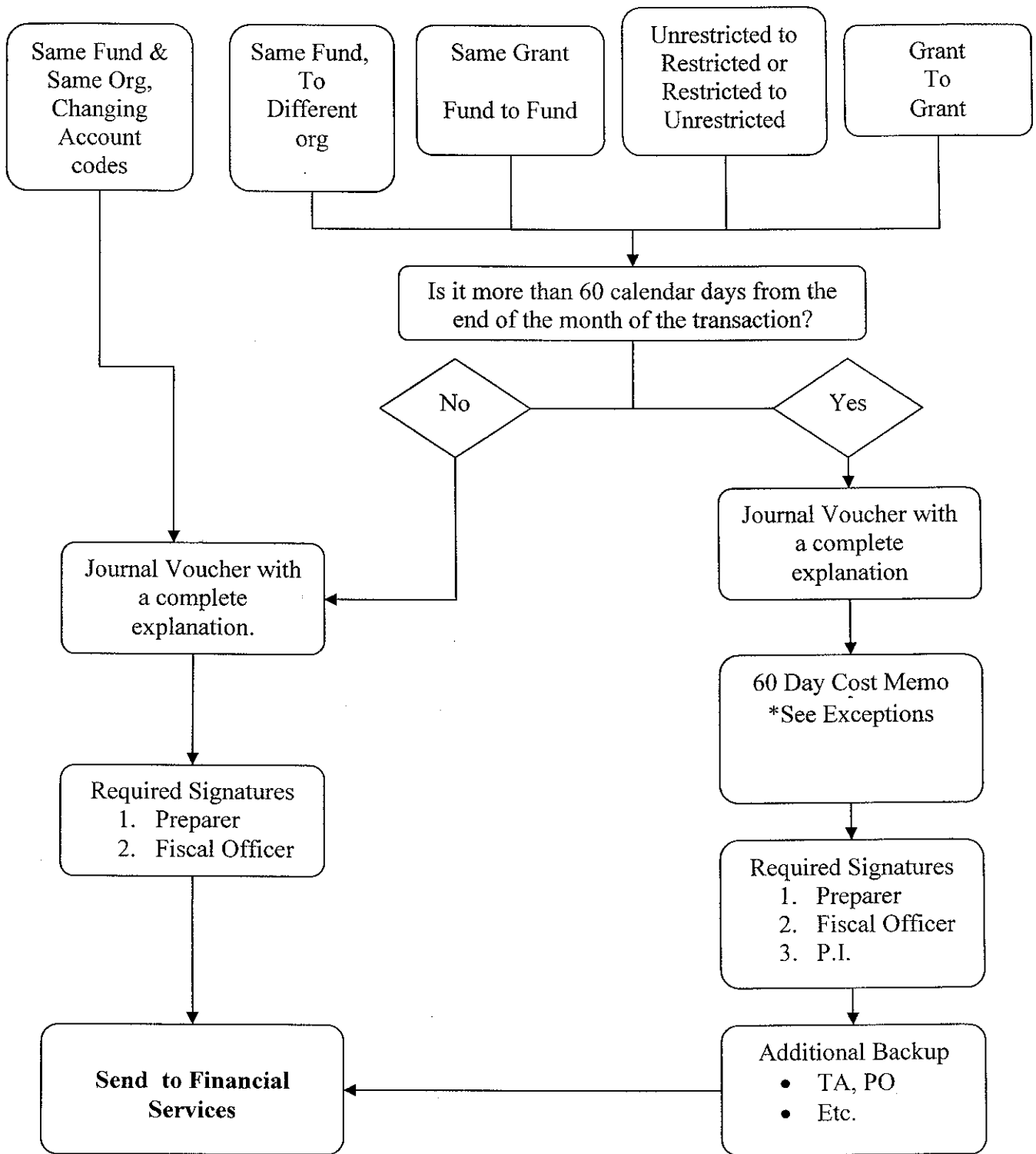
3. Signing Authority

All cost transfers must have the required signatures:

1. Preparer
2. Fiscal Officer
3. P.I. - note exceptions
4. Appropriate OGCA authority

A PI's signature is not required on Recharge center and tuition JV's.

A PI's signature is not required on cost transfers between account codes with the same fund and org.



***Exceptions:**

1. A PI's signature is not required on Recharge center and tuition JV's.
2. A PI's signature is not required on account code corrections within the same fund and Org.