

SPONSORED RESEARCH COST TRANSFERS

PROCEDURE & GUIDELINES

1. PURPOSE

The Research and Sponsored Programs (RSP) office has prepared these guidelines to communicate to principal investigators (PI) and other interested parties the RSP procedure for cost transfers. The attached **Cost Transfer Explanation & Justification Form** for performing cost transfers will allow the University of West Florida (UWF) to comply with the standards set forth in *2 CFR 200, Subpart E Cost Principles*. As a recipient of federal awards, UWF is obligated to comply with rules and regulations promulgated by various federal offices. These offices include sponsoring agencies such as the National Institutes of Health (NIH) and National Science Foundation (NSF) and regulatory agencies such as the Office of Management and Budget (OMB). The OMB has adopted regulations from the Cost Accounting Standards Board (CASB) and applies them to education institutions.

Cost transfers are an area of concern to federal auditors and negotiators; therefore, it is important that this procedure is understood and consistently followed. Institutions receiving federal funds are potentially subject to audit disallowances without sufficient control and documentation of cost transfers. To minimize UWF's vulnerability in this area, this cost transfer procedure has been developed to provide guidance on the subject.

2. BACKGROUND

Recent Federal audit reports have instances in which grantees have transferred costs from other projects or programs to Federal grants many months after the original charges had been recorded in the grantee's accounting records. In many cases, the transfers were not supported by documentation which adequately explained why the transfers were made. The federal government recognizes that transfers of costs from one project to another are occasionally necessary to correct bookkeeping or clerical errors in the original charges. The federal government also recognizes that closely related work may be supported by more than one funding source and that in such cases a transfer of costs from one funding source to another may be proper. However, frequent, tardy, and unexplained (or inadequately explained) transfers, particularly when they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the accounting system and internal controls.

3. DEFINITION

- **Cost transfer** is the movement of expenditures from one accounting distribution (fund and/or organization) to another accounting distribution. **Direct costs** are those costs that can be identified specifically with a particular sponsored research project or institutional activity, and that can be directly assigned to the activity relatively easily with a high degree of accuracy.

Normally, the account code would be the same on both the debit side and credit side of the entry.

Examples:

- Transfer costs from a departmental fund
- Correction of a clerical error
- Reallocation of estimated effort to reflect actual effort
- Routine allocation of shared services
- Service center charges, etc.
- Gift card transactions

4. COST TRANSFER GUIDELINES

In all cases, cost transfers must be made promptly. In this context, "promptly" means that the cost transfer should be made no later than 90 days of the original transaction. Requests for cost transfers to be processed between 91 and 120 days must be signed specifically by the PI and must also be approved by the applicable department chair/dean. If, under some rare circumstances, it should be necessary to make a cost transfer beyond 120 days, then the applicable dean/division head's signature will be required in addition to the PI's and department chair's signatures. Requests for late cost transfers should include an explanation of the extenuating circumstances which prevented the transaction from being made earlier. Signature requirements apply to both the giving and receiving departments. The request for cost transfer must include specific line item identification of the original charge, justification of the appropriateness of the charge to the receiving account, and a full explanation of why the transfer is necessary. A copy of the ledger reflecting the original charge and source document should be attached to the cost transfer request.

The receiving department with which the charge is affiliated is responsible for appropriately funding any cost transfers which are disallowed because of failure to meet the timing requirements stated above or if any cost transfers are later disallowed during an audit. Disallowed expenditures will be subject to the usual procedure for overdrafts with recovery from (1) PI Seed, (2) Department /Center/Institute Seed, (3) Dean/ Division Seed.

When the work supported by one sponsored project is determined to represent work closely related to that of another sponsored project, a cost transfer from one of the accounts to the other may be legitimately made with prior written approval from the sponsor receiving the charge. At a minimum, the following conditions must be met to justify a cost transfer on the grounds that the activity qualifies as "closely related work":

- The projects are scientifically and technically related.
- The projects are under the direction of the same principal investigator.
- There is no change in the scope of the sponsored projects involved.
- The relating of costs will not be detrimental to the conduct of work under each award.
- The relatedness will not be used to circumvent the terms and conditions of the awards.

However, under no circumstances can costs that directly benefit nonfederal projects be assigned or transferred to federal projects, whether or not interrelated, if the federal project does not also benefit directly from the expenditure.

**5. REGULATIONS – See attached OMB A-21, Section C, 4 – Allocable Costs
https://obamawhitehouse.archives.gov/omb/circulars_a021_2004#appa**

To comply with the allowable and allocable cost requirements of OMB Circular 21, it is necessary to explain and justify transfers of charges into federal awards from other federal or non-federal accounts. Timeliness and completeness of explanation of the transfer are important factors in supporting allowable and allocable costs in accordance with this principle.

6. GOAL

Any cost transfer should be so complete or detailed that a person completely removed from the situation (an auditor) will be able to look at the request five years from now and know why this entry was made.

Approval for cost transfers submitted later than 90 calendar days will be granted only in extenuating circumstances. They DO NOT include absences of PI or responsible administrator or shortage or lack of experience of staff. It is the responsibility of the grantee and the PI to ensure the availability of qualified staff to administer and exercise stewardship over federally funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

Requestors can avoid lateness by anticipating the possible need for additional clarification or documentation and supplying the data promptly.

At no time should federally funded accounts be used as holding accounts for expenditures, which will subsequently be transferred elsewhere. This includes continuations of the same project for which the notice of award or the new fund number has not yet been received. The University of West Florida has a provision for allowing funds to be set up prior to receipt of those documents or for continued expenditures (under a different fund) provided there is a reasonable expectation of the funding allocation which may be temporarily authorized for this purpose.

7. ROLES AND RESPONSIBILITIES

It is the responsibility of each department to adhere to the following:

- Address the requirements of the federal regulations by fully describing the cost being transferred, the allocability of the charge to the project, the reason for the late request, and the integrity of the accounting process.

- Ensure compliance with UWF Sponsored Research's Cost Transfer Procedure
- Prepare the appropriate request for transfer of expenses with justification and required supporting material.
- Retain hard copies of all related documentation in accordance with applicable record retention regulations.
- Ensure that all personnel engaged in the financial administration of federally funded awards are familiar with the UWF Sponsored Research's Cost Transfer procedure.

Post-Award Accounting has review and approval responsibility for cost transfers and are available to assist in interpretation and implementation of the procedure. This includes review of explanations for transfers crossing the 90-day lateness threshold, and training on the application of the procedure.

8. REASONS FOR COST TRANSFERS

- There was an error on the original time reporting document that was submitted to pay the employee.
- To correct bookkeeping errors or clerical errors on original charges.
- When closely related work is supported by more than one project agreement or funding source.
- To clear an overdraft.
- To transfer expense charged against an unrestricted fund source pending agency approval of a sponsored project.
- To address instances when ACRES (Academic Compliance, Reporting and Evaluation System) or effort reporting process has revealed discrepancies that must be corrected by processing a Payroll Action form. For example, a PI denotes time on his ACRES that should have been charged directly to a grant, but it does not appear in the ledger.

9. WAYS TO AVOID COST TRANSFERS

The following measures are suggested for avoiding unnecessary cost transfers:

Plan ahead. Anticipate new projects and request a new fund in advance so that award-related expenses are initially recorded against the correct fund. A Request for

Authorization to Spend form can also be used when you have been verbally notified that an award has been approved but the university has not received a final written notification – providing that the authorized signatures have adequate resources to fund any related disallowances. Once the Request for Authorization to Spend form is approved, a fund number will be assigned and made available for use. This allows charging the new fund immediately and eliminates the need to use another source and transfer the expense later. In effect, this allows the department to establish the fund on the general ledger before the project's begin date or before receiving final award notification. **Departmental approval is required to ensure alternative funding is available in the event the project is not awarded by the sponsor.**

Develop adequate review procedures. Reduce processing errors by implementing internal review procedures to ensure that transaction source documents are properly authorized, completed, and supported by adequate documentation. Two sets of eyes are often better than one. Also, monitor and reconcile ledgers promptly to control financial activity and avoid overdrafts.

Educate your staff and ensure that everyone understands your financial management control procedures.

Keep current with Federal, State, and University Procedures. (The Sponsored Research website is an excellent tool for this.)

10. REQUEST FOR COST TRANSFER