

BUSINESS POLICY LETTER

2019:03

TO: All Members of the University Community

DATE: October 11, 2018

GRANT COST TRANSFER POLICY

I. Purpose

A cost transfer is a transaction that moves an expense that was incorrectly placed on one account to the correct account. Although costs should always be charged to the correct project, cost transfers are sometimes necessary. To comply with the cost allowability and allocability requirements of the OMB 2 CFR 200 Uniform Guidance it is necessary to explain and justify transfers of charges into federal awards from other federal accounts, non-federal accounts or University accounts. At the University, a journal voucher is used to move expenses from one account to another for non-payroll expenses. Payroll expenses occur as a payroll reallocation.

II. Policy

Cost transfer requests should be prepared and submitted as soon as the need for the transfer is identified, but under most circumstances, no later than 90 days from the original transaction date. Adjustments are allowed within 15 days after the end date of the grant provided expenses are incurred during the life of a grant.

To help ensure that cost transfer requests are kept to a minimum and will meet audit requirements, cost transfer requests charging a state or federally funded expendable restricted (ER) account should satisfy all of the following:

- 1) *Be within 90-days from when the charge appears in Banner.* Cost transfer requests to transfer expenses over 90-days old to a federal or state funded ER account must be accompanied by a completed Journal voucher. The greater the time between when it appeared in Banner and when it is being transferred, the more likely that it will not be approved as a charge onto a restricted account. It is assumed that Banner transactions for restricted accounts are reviewed monthly, and therefore errors discovered outside the 90-day window should normally be moved to a non-restricted account. Exceptions to the 90-day rule will be considered depending on the strength of the information provided.
- 2) *The charge must be proper, allowable and have a provided benefit to the account receiving the charge.* For example, if the purchase of equipment for a project was posted to the wrong ER account, then the transfer of funds will need to be approved by the Accounting Office.
- 3) *Be supported by backup documentation.* This may include copies of the original Purchase order, invoice, vendor printout listing the items, etc. This information should be attached to the transaction in the event of an audit.

Cost transfers over 90 days from the date of the original transaction must be accomplished with a Journal voucher clearly documenting:

- I. The expense directly benefits the receiving project.
- II. The expense is allowable on the receiving project.
- III. The reason the original expense was charged incorrectly.
- IV. The reason for the delay in processing the transfer.

III. Procedures

Active Sponsored Project:

The responsibility for the proper use of a sponsor's funds remains with the Principal Investigator. Sponsors have varying guidelines on cost transfers; departments should consult the Accounting Office (AO) or the Office of Research and Sponsored Programs (ORSP) with questions about the acceptability of a proposed cost transfer. Cost transfers involving sponsored projects in the following circumstances are often encountered:

- Pre-award costs
- Error correction
- Costs benefiting more than one project
- Costs transferred in the event of an overdraft
- Continuation costs

Pre-Award

For the effective and economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred before the award document has been received. In such cases, departments should request AO to approve the opening of a new advance sponsored account. The advance account number becomes the permanent project account number when the award is effective; no cost transfers are needed. Sometimes an advance account number may not be feasible, or the need for one is unknown. When a department later determines that costs related to a sponsored project were charged to a departmental account the costs should be transferred to the new sponsored project. If you must transfer costs on a sponsored project, perform the transfer as soon as possible, with a proper supporting documentation.

Error Correction

Correction of errors is required and must be fully explained. Errors may include clerical errors, such as typographical errors or transposition of digits. Other errors may be detected upon review of monthly expenditure reports. It may be that an individual's effort was redirected, or a purchase was charged to a project other than the one that ultimately benefited from the use of the items purchased. All errors should be corrected as soon as they are detected. Payroll cost transfers must be accompanied by a new Time and Effort Reporting Form if the transfer results in a distribution of effort different from that originally reported.

Costs Benefiting More than One Project

When a particular charge to a sponsored project benefits another sponsored project, because of the interrelationship of the work involved, that charge may be transferred to the other project, provided that:

- The initial charge could appropriately have been made to the other agreement,
- The charge is anticipated in the approved budgets of both agreements,
- The explanation for the transfer makes it clear why the particular charge is appropriate to either of the agreements.

**In some cases, transfers involving "related work" must be approved by the sponsoring agency.

Costs Transferred in the Event of an Overdraft

Administrators should carefully manage sponsored projects. During review it may be determined that an overdraft might occur. If an overdraft is anticipated, or occurs, one of the following actions may be taken:

1. The costs may be transferred to another sponsored project that also benefited from the cost, if such transfer is allowable and allocable. Documentation of the benefit must be explicit,
2. The cost may be transferred to a non-sponsored departmental account approved by Account Manager, the Dean or AVP.

Continuation Costs

If a continuation award is anticipated after the end date of the current award and an advance sponsored account cannot be created, costs must be charged to the departmental account until the new award is set up, after which costs should be transferred in a timely fashion.

Closeout of Sponsored Project:

Generally, no costs incurred after the project end date are allowable. Some guidelines for closeout are:

- Unspent balances at the close of a project must, in most cases, be returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds. For clarification of the terms of a specific sponsored project contact ORSP and/or refer to the award materials.
- Well before the close of the award the project director should ensure that expenses transferred to the project are allowable direct charges and are properly approved. The expenses should have been invoiced and incurred prior to the end date of the award. In some cases expenses incurred in the last month are considered pre-award costs when the project is ongoing and funding for the next period is assured.
- Commitments and approvals are in place for equipment, negotiated agreements, travel, service and report costs that have been incurred prior to the award expiration date but are unlikely to be paid by that date. Transfer of such costs to the closed award is allowable if justified, documented and acceptable under the terms of the agreement.
- Adjustments of facilities & administrative if allowable can be processed.

Documentation:

Cost transfers over 90 days from the date of the original transaction must be accomplished through a request to the Accounting Office clearly documenting:

- The expense directly benefits the receiving project
- The expense is allowable on the receiving project
- The reason the original expense was charged incorrectly
- That any systematic reasons which might cause this problem to be repeated have been addressed
- The reason for any delay in the timely processing of the transfer

Note that payroll cost transfers must be accompanied by a new Time and Effort Reporting Form if the transfer results in a distribution of effort different from that originally reported. In support of this policy, all procedures, forms, and instructions can be found on the Office of Research and Sponsored Programs website:

<https://ferris.edu/research/>.

For questions about this policy, contact Grant Accounting ext. 3905