PURPOSE:

To establish the policy and procedure to be followed by the university for cost transfers. A cost transfer is an accounting entry to reclassify an incurred expense from one account to another. Cost transfers may be necessary to (a) distribute clearing account expenses; (b) correct salary distribution estimates; or (c) correct clerical, bookkeeping, or data entry errors.

If the account to be debited on the cost transfer is a sponsored grant or contract, federal regulations must be followed. These regulations state:

"Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience."

OMB Circular A-21, section C.4.b

"Transfers of costs to PHS grants by grantees, subgrantees, and contractors under grants that represent corrections of clerical or bookkeeping errors must be made promptly after the error is discovered. The transfers must be supported by documentation that contains a full explanation of how the error occurred and a certification of the correctness of the new charge by a responsible financial or administrative official of the recipient organization."

PHS Grants Policy Statement, Cost Transfers

Auditors of sponsored agreements devote specific attention to cost transfers. They review transfers for timeliness and adequate explanation. Also, frequent cost transfers, particularly at the close of the project with significant overruns or balances, indicate to auditors the possibility of problems with the university’s accounting system or internal controls.

DEFINITIONS:

None

POLICY:

In order to ensure compliance with agency guidelines on cost transfers, the university has established the following guidelines for completion and submission of a cost transfer:

Cost Transfer Timing
In order to comply with agency regulations regarding the timeliness of cost transfers, the policy established by the university requires all federal, state, and local cost transfers to be submitted within 90 days of the transaction. Exceptions to this policy must include a detailed explanation
describing why the correction could not be made within the designated time limit and a certification that the costs are a proper expense to the award now to be charged.

**Cost Transfer Explanation**

In order to comply with agency regulations regarding “...a full explanation of how the error occurred...”, the policy established by the university requires a complete explanation detailing the necessity of the cost to be transferred to the sponsored account and the reason the error occurred. An explanation that merely states “to correct error” or “to transfer to correct account” is not acceptable. In the case of reoccurring clerical errors, the explanation must also include a plan of action to be instituted to prevent similar errors in the future.

**Cost Transfer Supporting Documentation**

In order to comply with agency regulations regarding appropriate documentation, the policy established by the university requires all cost transfers to be supported by any documentation that will support the explanation for the transfer. This documentation may include copies of sponsored agency or university correspondence that will assist in clarifying the explanation.

**REFERENCES:**

*OMB Circular A-21, section C.4.b.*

*PHS Grants Policy Statement, Cost Transfers.*

**PROCEDURES:**

**Salary Cost Transfers**

The transfer of salary and wages must correspond to the percentage of effort expended on the sponsored project.

1. The form used to complete a salary cost transfer is either:
   - the “Monthly Funding and Effort Information Report” (FEI), or
   - the “Retroactive Transfer of Salary Charges” form (FA-10).

2. The appropriate supporting documentation must be included with the above-mentioned forms. This includes a memo with a complete explanation detailing the necessity of the cost to be transferred to the sponsored account and the reason the error occurred. The explanations must also include a certification that the costs are a proper charge to the award now to be charged. A copy of labor distribution or screen print from the DMAS system for the month of salary being transferred must also be attached.

3. The completed form is to be transmitted to Sponsored Programs (SP) – Expenditure Compliance Office for approval and processing into the accounting/payroll systems.

**Non-Salary Cost Transfers**

1. The form to transfer non-salary charges is the “Retroactive Transfer of Non-Salary Charges” form (FA-11).
2. The appropriate supporting documentation must be included with the above-mentioned form. This includes a memo with a complete explanation detailing the necessity of the cost to be transferred to the sponsored account and the reason the error occurred. The explanations must also include a certification that the costs are a proper charge to the award now to be charged. Additional backup may be required for special cost categories.

3. The completed form is to be transmitted to SP – Financial Administration for approval and processing into the accounting system.

Note: Transfers are made for actual or individual items of expenditure and may not represent a prorated amount or a fixed percentage of usage determined by a department on a monthly or quarterly basis.