

Office of Sponsored Projects Cost Transfer Policy for Federally Sponsored Projects

Effective: January 1, 2016

Replaces: Cost Transfer Guidance Provided by
Post Award Accounting Services and
Fiscal Compliance (PAASFC)

Authored by: Jerry Fife
Associate Vice President for
Sponsored Projects

Purpose

In certain circumstances, a charge may be posted to an incorrect project. When this occurs, a correcting journal entry is required to move the cost to the correct project. This policy explains how the need for a cost transfer arises, the requirements of a cost transfer journal entry, and the method for processing cost transfers through the accounting system.

I. Introduction

Definition

A cost transfer is a transfer of expenditure from one project to another project. When the project receiving the charge is a federally sponsored project, special rules apply as discussed later in this policy.

In some instances, a cost transfer is unavoidable. The purpose of this cost transfer policy is to provide information to principal investigators, department/center administrators, project managers; Chairs and Deans concerning government cost transfer policies. Cost transfers should not be approved if the requirements in this policy are not met.

Applicability of this Policy

All federal grants, contracts, cooperative agreements, traineeships, etc. are subject to this policy. Subcontracts from other entities (universities, local government units, states, etc.) that are funded by federal agencies are subject to the regulations as federal awards made directly to Northern Arizona University (NAU). Fixed price contracts may have greater flexibility. This policy may not cover all instances and you are urged to contact the Office of Sponsored Projects (OSP) if you are not s

Reason for Concern

Transfers that are frequent, tardy, or inadequately explained, particularly on projects with overruns or unexpended balances, raise questions about the propriety of the transfers and the reliability of the university's accounting system and internal controls.

Government Requirements

Various government agencies have published cost transfer policies. They generally include specific requirements for written documentation, specific limitations for making a transfer, and prohibition on transfers used solely to cover a project deficit. Exhibit A includes cost transfer policies from the Office of Management and Budget and the National Institutes of Health (NIH) Grants Policy Statement.

Cost Transfers Between Similar or Related Projects

The appropriate allocation of costs among similar or interrelated projects should be made at the time a transaction is initiated. The cost transfer policy summarized in the first section of this document applies to cost transfers whether projects are related or not related. If a cost transfer is not allowable within the policy as stated, relatedness cannot be used as a reason to make the transfer allowable absent written authorization from the appropriate federal funding sponsor(s).

A Consequence if a Cost Transfer does not Meet Government Requirements

As required by federal regulations, NAU is audited each year by the State of Arizona. This audit may include a detailed review of cost transfers. Further, NAU may be subject to reviews of cost transfers on federal projects. In the event that a cost transfer does not meet the government requirements, the dollar amount of the transfer will be disallowed and the area responsible for the project will have to reimburse the project for the amount of the disallowed cost transfer.

Examples of Cost Transfers on Restricted Federal Funds

The following are examples of cost transfers on restricted federal funds:

- x Correcting charges to federally sponsored projects from restricted or non sponsored sources are cost transfers.
- x Correcting charges between federally sponsored projects are cost transfers

The following are

x Allocating charges from

2. Why should the charge(s) be transferred to the proposed receiving project? (How does the project benefit?)
3. Why the charges are allowable and allocable based on the terms and conditions of the receiving project?

Cost transfers of salary or non-salary charges submitted after the 90-day period, as defined above, are considered late and must have a valid reason for the delay in processing. These transfers are generally not allowed to be transferred onto another federally sponsored project unless there are extenuating circumstances. Such transfers will be reviewed under scrutiny and may need further justification and additional approvals. If the justification does not meet the extenuating circumstance criteria, the charges will be required to be transferred to an unrestricted or non-sponsored source. The justification for these type transfers should address the following questions:

1. Why the expense was originally charged to the project from which now being transferred? (How/why did the error occur?)
2. Why should the charge(s) be transferred to the receiving project? (How does the receiving project benefit?)
3. Why the charges are allowable and allocable based on the terms and conditions of the receiving project?
4. What corrective action has been put in place to prevent future cost transfers of this type?

Additional Documentation Requirements for Non-Salary Transfers

In addition, each cost transfer request for non-salary charges must contain all documentation necessary for processing of a routine journal entry within the accounting system. Such documentation includes a copy of the invoice and/or expense documentation including: project number, account code, transaction description, transaction date, etc.

Inadequate Documentation

federally sponsored project

Additional Documentation Requirements for Salary Transfers

III. Supplementary Information

The 90-day cost transfer time period applies when transferring expenditure TO a federally sponsored project. No time limit exists for REMOVING expenditures from a federally sponsored project. If inappropriate expenditures are discovered on federal projects, they must be removed without regard to time limits. Only in extenuating circumstances will a cost transfer be appropriate beyond the 90-day period. These transfers will be reviewed under scrutiny and may need justification and additional approvals.

IV. Summary of Cost Transfer Policy

- A. All cost transfers TO federally sponsored projects should be made within 90 days as 1 0 12 148.(a)4 (de)4i -0.jusn (d)-10 8.52(c)4 (t)-2 uon()-10 lra n-y(c)4 o (d)-1(t)

documentation and a suggestion as to how the description could be improved to meet the requirements.

1. Questionable explanation: Transfer of supplies that were charged to the department in error.

Issue: This explanation does not adequately explain why the wrong project was charged and why/how the charge is appropriate to the project being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the project being charged is appropriate and how the amount being transferred was determined.

Acceptable explanation: The supplies being transferred were purchased via P-card. The administrative assistant did not review the P-card transaction by the deadline, which caused the transaction to post to the default P-card project number, which is the departmental/central project number. Going forward, the administrative assistant will review all P-card purchases and assign the correct project number, if applicable, to be charged before the deadline.

2. Questionable explanation: Transfer overage to related project

Issue: The transfer of overage from one project to another is not permitted. If expenses are being moved between two interrelated projects, the cost transfer descriptions should clearly identify which costs are to be shared, the proportions in which the projects will share the costs, and a clear indication of how the amount to be shared was determined.

Acceptable explanation: The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects, thus 50% of the cost of the highlighted items being transferred.

3. Questionable explanation: To correct project number charged due to clerical error.

Issue: Insufficient explanation of why and how the clerical error occurred and why the error was not caught earlier. In general, this explanation is only adequate if a transposition error occurred, and such circumstances should be included in the description.

Acceptable explanation: The research assistant in the lab who ordered the supplies used a project number that had expired. He has been instructed to use the new project number. In the future, all supply orders are to be reviewed and approved by myself for the department administrator prior to submission of the order so that errors can be prevented.

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