

Cost Transfer Procedure

Summary

The University of Delaware has a stewardship responsibility for all sponsored funds; proper management of sponsored project expenditures is essential to meet this obligation.

The University recognizes that cost transfers are sometimes necessary to correct bookkeeping or clerical errors and to allocate closely related work that may support more than one project. Frequent, late, and inadequately explained transfers, especially those involving projects with cost overruns or unexpended balances, raise serious questions about the propriety of the transfers and call internal fiduciary controls into question. These activities may result in audit disallowances and monetary paybacks including penalties and fines.

Auditors and sponsors will flag as suspicious cost transfers with the following characteristics:

- Costs transferred long after the original charges were recorded
- Transfers supported by inadequate documentation or justification
- Transfers made at the end of a project that relieve cost overruns or spend out a project

The following procedures for the processing of cost transfers has been established to comply with the requirements of Office of Management and Budget (OMB) Circular A-21, the policy of the National Institute of Health (NIH), one of the University's largest sources of federal research funding and the requirements of other federal sponsors.

Procedure

Original charges should be directed to the appropriate benefiting sponsored project. If it is necessary to process a cost transfer that involves a sponsored project, a journal voucher should be initiated promptly (*within 90 days of the original transaction date*) and contain sufficient documentation and justification to support the cost transfer that would stand the test of a formal audit.

Under no circumstances may costs that benefit one sponsored project be charged temporarily on another sponsored project. Failure to adhere to this procedure will result in improper financial reporting and inappropriate reimbursement from the sponsor.

Cost Transfers within 90 Days

The 90 day threshold is calculated from the last day of the month in which the charge first posted in the general ledger. For example: A charge first posted in the the general ledger on May 2nd would begin its 90 day period on May 31 and end its 90 day period on August 31.

A journal voucher should be submitted and the journal voucher explanation should include the following:

- Transaction date, description, account, reference number and dollar amount of the original transaction

- Location and event, if the cost is a travel expense
- A detailed explanation of the reason for the transfer (*“to correct error” or “to transfer to correct project” are not considered sufficient reasons for transfers*)
- The reason for the division of the cost *if* only a portion of the original cost is being transferred

The journal voucher should be approved by an account code administrator other than the originator and the Principal Investigator must be copied. Sufficient documentation related to the transfer should be kept on file within the department until notified by the Research Office that the record retention requirement has been satisfied.

Cost Transfers after 90 Days

In addition to the procedures for cost transfers within 90 days, originators are required to answer a series of questions when processing a cost transfer for an expense that is over 90 days:

- What is the oldest original date of the expense(s) being transferred
- Why was this original expenditure not charged appropriately?
- Why should this charge be transferred to the proposed receiving project?
- Why is this cost transfer being requested more than 90 days after the original transaction date?
- What steps will be taken to prevent this type of error from happening in the future?

The journal voucher will require approval from an account code administrator other than the originator and will be routed automatically to the Research Office-Sponsored Research Accounting for final approval. This final approval by the Research Office will ensure that only the most appropriate changes are passed through the system. The Principal Investigator must be copied.

Examples of circumstances where cost transfers are typically allowable:

- transfer of pre-award costs
- correction of a clerical error often involving transposed or mis-typed characters
- reallocate effort to reflect actuals
- reallocate costs when originally charged to a central administrative purpose

Examples of typical circumstances in which cost transfers may not be allowed:

- Reallocation of expenses because the grant has unexpended funds
- Transfer of after end date expenses to another project
- Transfers which do not explain why the error occurred and how the expense is appropriate to the project to which it is being moved
- Transfer of an expense that was previously transferred
- Charged to another grant to expedite order
- Late because principal investigator was out of town
- Late because the department was understaffed

Roles & Responsibilities

It is the role of each Principal Investigator and staff with delegated approval authority to:

- Review sponsored research projects on a regular basis (e.g. monthly) to ensure that all expenditures charged are correct and appropriate
- Submit and approve cost transfer journals in compliance with University policy and procedures
- Retain hard copies of all related documentation in accordance with applicable record retention regulations
- Ensure that all personnel engaged in financial administration of federally funded awards are familiar with the University cost transfer procedure

It is the role of the Research Office to :

- Develop and implement cost transfer procedures in accordance with the regulations set forth in OMB Circular A-21 “Cost Principles for Educational Institutions”
- Provide assistance in interpretation and implementation of the policy
- Provide training on policy as needed
- Serve as final approver on cost transfers greater than 90 days old
- Periodically review cost transfers to ensure compliance with University and federal regulations

It is the role of Internal Audit to:

- Independently evaluate compliance with cost transfer procedures

Definitions

Original Charge: The first posting of a cost to the general ledger.

Cost Transfer: An after-the-fact reallocation of costs, either salary or non-salary, to a sponsored project within a 90-calendar day period from the original accounting date.

Late Cost Transfer: An after-the-fact reallocation of costs, either salary or non-salary, to a sponsored project more than 90 calendar days from the original accounting date.

Allowable: Costs allowable under the terms and conditions of the award, including the authorized budget and applicable regulations.

Allocable: Costs that benefit the award charged. Costs shared by more than one project should be allocated in proportions that can be approximated through actual use.

Reasonable: The nature of the goods or services acquired and amount paid reflect the action that a prudent person would have taken at the time the decision to incur the cost was made.

Consistent: Application of the cost is given consistent treatment within established University policies and procedures; costs for the same purpose are treated and classified the same way under like circumstances.

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