PROCEDURE NUMBER:	FINA 3.35 Procedure
SECTION:	Administration and Finance
SUBJECT:	Cost Transfers
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REVISION:	
Procedure for:	All Campuses
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Issued by:	Administration and Finance – Controller's Office

Procedure

The University Administration and Finance Division, Controller's Office, will ensure compliance with University Policy FINA 3.35. This procedure is applicable to campuses, units, departments, centers, Principal Investigators (PIs), and administrators at the University who are involved with the initiation, administration, and conduct of sponsored awards. The purpose of this procedure is to supplement the associated policy by providing additional detail and guidance on cost transfers.

A. Documentation Requirements

All cost transfers must be fully documented and supported by appropriate approvals. The substantiating records should clearly document:

- The benefit, allowability, and allocability to the receiving project.
- The reason for the transfer and how the issue was discovered.
- A corrective action plan for preventing future occurrences.
- Approval from the PI.
    - If the PI is disengaged from a project, (e.g., due to medical leave, extended leave, transfer, suspension, termination, death, etc.) signature from the PI's Dean or Department Head's may be accepted along with a written explanation as to why the PI is disengaged. The department will be responsible for any disallowances associated with charges not approved by the PI.

To fulfill the documentation requirements, a Cost Transfer Justification Form should be completed and submitted to Grants and Funds Management for all cost transfers. Cost transfers must be processed using a Payroll Retro Funding Change Form if it impacts payroll charges. If

the cost transfer <u>does not</u> impact payroll charges the cost transfer can be processed using a Journal Voucher (JV), Journal Entry (JE), or Apex Voucher depending on the nature of the original transaction. Refer to the Controller's Office Resources and Training Toolbox for more information (Resources and Training Toolbox → Business Manager → Transaction Corrections (JE, JV, and APEX).

<u>Untimely Requests</u>

If a cost transfer request exceeds the 90-day timeliness threshold, additional justification and approval will be required. In these instances, departments are responsible for providing a signed letter from the Dean (or respective Director for support units) to support the cost transfer request that attests to (1) acknowledgment of the issue and untimely transfer request; and (2) a corrective action plan to mitigate future occurrences. These requests will also require additional approval from the sponsor and the University Controller, which will be coordinated by Grants and Funds Management.

B. Allowable Cost Transfers – Examples

The list below illustrates circumstances in which cost transfers may be allowable:

- To correct errors due to untimely receipt of information by the University (e.g., late Notice of Award).
- To reallocate charges based on the actual effort expended on a sponsored award.
- To move pre-award costs to the appropriate project, in accordance with Uniform Guidance and sponsor requirements.
- To correctly allocate costs benefiting more than one project.
- To remove unallowable charges.
- To remove out-of-period charges.

C. Unallowable Cost Transfers – Examples

The list below illustrates circumstances in which cost transfers

- To avoid restrictions imposed by law or the terms of the sponsored award.
- To correct deficiencies caused by overspending or other funding considerations. The University will not shift or otherwise transfer expenditures to other sponsored awards to meet deficiencies caused by overruns.
- For other reasons of convenience, including, but not limited to:
  - "Parking" expenditures: At no time should sponsored awards be used to temporarily charge, or "park", expenditures that will subsequently be transferred elsewhere, including to continuations of the same award for which the Notice of Award or new project has not yet been received (as outlined in 2 CFR 200.403, 200.404, and 200.405).

- "Spending out" funds: Cost may not be transferred to a sponsored award merely because there are unexpended funds available which would otherwise be returnable to the sponsor. This practice, known as "spending out" project funds, is specifically unallowable by Uniform Guidance (as outlined in 2 CFR 200.403, 200.404, and 200.405).

D. Preventing Cost Transfers

The processes below should be proactively followed by departments for all sponsored awards to mitigate the occurrence of cost transfers:

- Review the terms and conditions of the award.
- Establish a financial plan.
- Maintain accurate projections.
- Meet with the PI monthly.
- Reconcile project expenditures monthly.
- Communicate funding changes to Human Resources and Payroll in a timely manner.
- Request an <u>Advance (Risk) Account</u> be set up if the Notice of Award is delayed.

E. Roles and Responsibilities

The following listing details the delineation of responsibility for cost transfers:

- Business Managers (Department):
  - Completing monthly expenditure monitoring (in coordination with PIs)
  - Identifying cost transfer needs and ensuring request comply with University policy/procedure and sponsor requirements (in coordination with PIs)
  - Initiating cost transfer requests, including collecting and submitting all required supporting documentation
- Principal Investigators:
  - Identifying cost transfer needs (in coordination with Business Managers)
  - Approving cost transfer requests
- Grants and Funds Management:
  - Receiving and reviewing cost transfer requests
  - Verifying the allowability of cost transfers
  - Coordinating with appropriate parties regarding required substantiating support (e.g., missing documentation, additional approvals)
  - Processing/recording approved cost transfers in the financial system.

F. Resources and Forms

Resources, trainings, and guides can be found on the Controller's Office website under the following sections:

- Grants and Funds Management → Sponsored Awards Management
- Resource and Training Toolbox → Business Manager, Grant Administration, Principal Investigator, Forms