

Cost Transfer Procedures

How And When To Make Cost Transfers

Effective February 9, 2003, cost transfers to sponsored program indexes may be made only within 60 days from the date of the month end Banner report on which the charge first appears. Any erroneous charges identified after 60 days can only be transferred to a non-sponsored program index. **In addition, once an index closes and the final financial report has been submitted to the sponsor, no expenses may be charged to the closed index but must be funded elsewhere.**

Federal regulations require additional documentation to support cost transfers to sponsored program indexes. Costs may not be shifted to other research projects or from one budget period to the next period solely to cover cost overruns. Cost transfers based on funding considerations are prohibited (i.e., cannot transfer costs to use up remaining funds).

Reasons cost transfers may be necessary:

1. A data entry error occurred when entering the index number for the original charge. The documentation must explain in detail how the error occurred.
2. The service center was not provided the correct index number to charge.
3. Charging a non-sponsored program alternative index because the University has not received the official award. Costs incurred prior to the start date of the award are considered "pre-award" costs. An "advance index" must be requested to charge allowable pre-award costs, which would eliminate the necessity for cost transfers. Under no circumstances shall a 4-ledger or 6-ledger index be used for "pre-award" costs.

Ways to process cost transfers:

1. Personnel Action Form (PAF) to transfer salary costs.
2. On-line University Inter-Departmental Transfer Voucher or Financial Inquiry/Request Form for non-salary charges.

Required cost transfer documentation:

1. The expense must be recorded on a Banner index before it can be removed. Specific identification (PO number, batch number, etc.) of the original charge must be attached to or referenced in the on-line cost transfer.

2. The same expense account must be maintained between the two indexes.
3. A detailed explanation must be provided, which indicates why the transfer is needed and what caused the error to occur. The explanation "to correct an error" or "to transfer to correct index" is not acceptable.
4. In case of a salary transfer, the retroactive PAF must agree with the Effort Certification Report. Effort Certification Reports may not be amended once accepted.

Documentation for cost transfers:

Documentation for cost transfers must be maintained and furnished when requested during an audit. A charge set aside as "questionable" by auditors, even though it may be a proper charge to a grant or contract, may be disallowed in the absence of clear documentation to substantiate its propriety. The department must fund any disallowed charges.

Federal Agencies and auditors are directing increased attention to cost transfers that occur:

- During the final month of a budget period,
- After the budget period has expired, or
- More than three months after the actual costs were incurred.

Timeliness of cost transfers:

A cost transfer reimbursing a sponsored agreement must be processed as soon as the error is discovered, regardless of the date the error occurred. In the event an unspent balance results from this transaction, the residual funds will be returned to the sponsor. Exceptions are fixed price agreements and sponsored programs with carry forward provisions.

It is important that principal investigators monitor the timeliness of expenditures and cost transfers for their projects on a regular basis. Frequent errors in the recording of costs may indicate the need for improvements in record-keeping and/or internal controls.