Practices and Procedures for Processing Cost Transfers

Federal agencies that perform audits of sponsored programs at colleges and universities frequently focus attention on cost transfers. These transfers are to transfer an expenditure, or cost, that initially posted to one project or account to another project or another account. Funding agencies have questioned and/or disallowed transfers when: they occurred frequently on an award, they were not processed timely, occurring several months or more after the initial charge was recorded, and/or when there was an inadequate explanation or lack of accompanying documentation. Transfers of this type, particularly when they occur on projects with cost overruns or unexpended balances, may cause funding agencies to question their appropriateness. Also questioned may be the overall reliability of the recipient's accounting system and the recipient's ability to properly administer sponsored programs. In addition to disallowing cost transfers, Single Audit findings have also occurred.

Refer to the "Background Information Regarding Cost Transfers" document on the SPA web page for additional information.

This memo describes RIT's practices and procedures regarding the treatment and allowability of cost transfers on sponsored programs. These practices are designed to minimize regulatory, financial and reputational risk to the University in the administration of sponsored projects.

It is the Principal Investigator's (PI) responsibility to monitor all transactions charged to his/her sponsored project. Occasionally, due to a clerical error, it is necessary to move a cost from one project or account to another. Per 2 CFR §200 all cost transfers must be reasonable, allocable, treated consistently throughout the University, and conform to any limitations or exclusions in the sponsored agreement. If a PI, or his/her project administrator, determine that a cost transfer is required on a sponsored project, and it meets the requirements above, he/she should then be familiar with the following expectations:

1. All cost transfers ***must be supported by a Cost Transfer Cover Sheet and other relevant documentation*** that contains a full explanation of how the error occurred and a justification of the appropriateness of the new charge. An explanation which merely states that the transfer was made "to correct an error" or "to transfer the charge to the correct project" is not sufficient. Note: frequent errors in the recording of costs may indicate the need for improvements in the academic unit's fiscal administration of sponsored projects and/or its internal control system. Departments may be asked or required to evaluate the need for improvements in these areas and to implement necessary changes.

2. Cost transfers representing corrections of clerical or bookkeeping errors (i.e., transactions inadvertently charged to the wrong project) ***must be made promptly*** and ***within 90 days*** of the end of the accounting month that the original transaction posted in Oracle. The journal entry must be accompanied by a Cost Transfer Cover Sheet signed by the PI and any other relevant supporting documents.

    a. Transfers made ***after 90 days*** raise questions on the appropriateness of the transfer. PIs requesting a cost transfer that involves a transaction that is older than 90 days must provide further justification explaining the following:

- What caused the delay in requesting the transfer (signed by the PI)
- Why it should be allowed
- A certification of the allowability/appropriateness
- An explanation as to why the monthly statement/detail/PDR review and certification process did not detect the issue
- An explanation as to what steps will be taken to prevent delays in the future must be provided

A Cost Transfer Cover Sheet must also be submitted along with these materials.

b. The 90-day period begins at the end of the accounting month that the original transaction is posted in Oracle. The "clock" runs until the transfer journal entry has been prepared and all departmental signatures have been obtained. All cost transfers beyond the 90 day period, are subject to the review and approval of the Assistant Controller. Departments should work with their SPA rep to obtain this approval.

c. If the cost transfer affects an operating department, approval from a person in the College/Department with oversight over the operating budget must be obtained. This will most likely be the College Partner.

3. SPA approval of cost transfers is required on federal awards. State and private awards are processed as described, but SPA approval is not required and the department is required to maintain any supporting documentation.

4. Transfers that involve a change in previously certified effort require an additional statement indicating why the Effort Report (ER) was not corrected prior to its original certification. A statement signed by the PI that the revised distribution of pay accurately represents effort during the period indicated is also required.

Contact your Sponsored Programs Accounting representative if you have questions about the allowability or appropriateness of cost transfers on your sponsored project.