

University of South Alabama

Cost Transfer Policy

I. Purpose

This policy establishes requirements for processing transfers of direct costs to or from sponsored agreements. The requirements are based on federal policies and sound management practices. If a specific sponsored project agreement has different requirements than those outlined in this policy, typically the sponsored agreement requirements will take precedence. This policy applies to all federal and nonfederal sponsored agreements, except cost transfers to non-federal fixed price agreements.

II. Definition of Cost Transfer

Cost transfers occur whenever an expenditure is moved from one account to another. The sponsored account can be either the one receiving the charge (debit) or the one from which the charge is being removed (credit) or both.

III. General Policy

Federal regulations, generally accepted accounting principles, and good management practices require that all costs incurred be appropriate to and for the direct benefit of the account charged, and that accounting records be maintained on a timely and accurate basis. Sponsored agreements should be monitored on an on-going basis for appropriate and accurate expenditures.

Cost transfers may occasionally be necessary to correct errors in the original charges or for other reasons, such as adjustments of salary charges where the actual distribution of an employee's effort in an effort certification report differs from the budgeted distribution used to charge the accounts. These transfers, however, must be properly documented and processed within a reasonable period of time. The following requirements apply to all cost transfers:

- The cost being transferred is a proper and allowable charge to the receiving account (i.e., the cost benefits the project and is otherwise allowable under federal cost principles and/or other terms of the agreement).
- The transfer is supported by documentation that clearly explains why the transfer is being made. The explanation must be sufficient for an independent reviewer (e.g., an auditor) to understand the transfer and conclude that it is appropriate. In some cases, this may be accomplished by a very brief statement (e.g., a transfer to correct a transposition error), while in others, a more elaborate explanation and justification and/or additional documentation may be needed. A statement that merely states "to correct error" or "to transfer to correct project" is not adequate.

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- A cost transfer must be accomplished only through the use of the Cost Transfer Form. The transfer document must be signed by the Principal Investigator of the receiving project certifying that the cost being transferred is a proper and allowable charge to the receiving account.
- Under no circumstances may expenditures be placed on a sponsored account for reasons of convenience or funding availability with the intention that they will be removed to the proper account (account/sponsored project that benefited from the expense) at a later date. Such “parking” of costs violates sponsoring agency guidelines and is strictly prohibited.
- The transfer document should be submitted as soon as possible after the error is detected or other reason for the transfer becomes known. Although the majority of transfers should occur much sooner, 90 days after the original charge is considered to be the maximum reasonable time period under normal circumstances. If there are extenuating circumstances that cause a delay beyond the 90-day period, the reason for the delay must be included in the documentation supporting the transfer. Transfers over 90 days from cost incurrence must also be signed by the Department Chair, the Dean, the Vice President of the Division, and the Vice President of Financial Affairs. In some cases, as explained below, the transfer document must be submitted earlier than the normal 90 day maximum. All transfers to correct errors resulting in a credit to sponsored accounts must be made regardless of timing.
- Whenever a cost transfer involves accounts in different departments, the transfer must be authorized by both departments.
- A debit cost transfer will normally not be processed for a cost item for which a financial report has already been filed, unless the cost was accrued on the financial report. To the maximum extent possible, cost transfers related to a financial reporting period will be processed prior to submission of the financial report. Most agreements have a 90-day report receipt cycle. This means that cost transfers will normally need to be submitted within 60 days of the budget period end date in order to be included in the financial report. (For agreements with shorter report cycles transfers will need to be submitted earlier in order to be included on the financial report.)
- Costs will not normally be transferred more than once. Since the original cost transfer has already been justified, documented, reviewed, and accepted as appropriate, a second transfer of the same cost is highly suspect and should be unnecessary. Debit transfers will normally not be processed against a sponsored agreement, if the cost was previously transferred, unless there are extraordinary circumstances (e.g., data entry error on the original cost transfer submitted).

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IV. Inter-Departmental Charges and Transfers

Inter-Departmental Charges and Transfer forms (Publications, bookstore, etc) are normally used to bill costs from service centers (see Service Center policy) when services have been provided and agreed to by the recipient of the services. The originator has been directly advised by the user of the goods or services of the appropriate account to be charged. These charges are primarily used as an internal invoicing system (e.g., Publications, Comparative Medicine and Telecommunications) these forms (invoices) vary by service center.

V. Journal Vouchers

The Journal Voucher (JV) form may be used for any non-salary cost transfer. JVs are primarily used to correct accounting errors. JVs must be submitted with documentation attached showing the accounting entry to be corrected (i.e., Banner printout, etc.). JVs are processed for individual cost items, and each item, to be corrected must be detailed separately on the JV. Typically JV's are prepared in the business office.

VI. Retroactive Salary Transfers

Only the Personnel Action Recommendation (PA) form may be used to process a salary/wage cost transfer.

Payrolls are processed based on the anticipated effort distribution on the Personnel Action Recommendation (PA) form. Departments should monitor the distribution of compensation and effort on an on-going basis. When variances between distribution of compensation and effort exceed + - 5% a change should be made using the PA form. Sponsored agreements have limited performance periods and frequently change account numbers. It is, therefore, important that compensation and effort be closely monitored for all individuals working on sponsored agreements.

Because retroactive salary transfers may affect effort certification reporting, retroactive salary transfers are subject to additional requirements, as follows.

Monthly/Exempt Employees

Retroactive salary transfers that are a result of changes made on effort certification reports must be submitted before or at the time the Personnel Activity Report (PAR) is produced. Retroactive salary transfers may not be processed for pay periods within an effort certification period (September – December, January – May and June - August) for which an PAR has already been submitted and is on file in Office of Grant and Contract Accounting, unless:

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- The retroactive salary transfer adjusts the salary distribution to the amount/account reported on the PAR or
- The retroactive salary transfer credits a sponsored agreement and debits a University of South Alabama (University) account and the effort remains the same on the sponsored agreement (i.e., an adjustment to show University cost-shared effort on the sponsored agreement).

Bi-Weekly Employees

For bi-weekly employees, the time sheet is the effort certification. The time sheet is signed by the employee and a supervisor. The time sheet is pre-printed with account numbers and hours/percent, based on the PA(s) on file for the pay period. In addition to the hours worked, the time sheet signatures certify the accounts charged. Departments may change the distribution of a bi-weekly employee's wages to reflect actual effort by completing the "Pre Assigned Labor Account" portion of the time sheet.

Because the time sheet is the effort certification, retroactive salary transfers will not normally be processed for bi-weekly employees, except under the following circumstances.

- Documentation is provided of a data entry or other system error that occurred either in establishment of the PA or in keying the account override portion of a time sheet. All such corrections should be submitted within one month of the error.
- The retroactive salary transfer is correcting the salary distribution to a successor account, which was not established in the system prior to the payroll processing. All such corrections should be submitted within one month of the error or within one month of establishment of the new number in the accounting system, whichever comes first. (PA changes to establish the new account should be submitted as soon as the new account number is obtained.)
- The retroactive salary transfer is charging a new sponsored account, where the award processing has been delayed and the account was not in the accounting system prior to payroll processing, but work was performed for the agreement. All such corrections should be submitted within one labor month of establishment of the new account. (PA changes to establish the new account should be submitted as soon as the new account number is obtained.)
- The retroactive salary transfer is crediting the sponsored agreement and the salary is being charged to an unrestricted account. (The original time sheet remains on file and the correcting entry establishes cost-shared effort to the sponsored agreement.)

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There may be other mitigating circumstances for processing a bi-weekly retroactive salary transfer to charge a sponsored agreement. However, such cost transfers should be extremely rare. General explanations such as “administrative oversight or clerical error” will not be sufficient to process retroactive salary transfers. Any exceptions to the bi-weekly procedures will be reviewed on a case-by-case basis.

VII. Contacts for Questions

Questions should be directed to the Office of Grants and Contract Accounting.