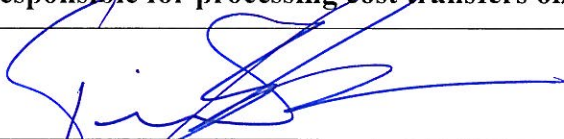




Florida Agricultural and Mechanical University
Division of Research
Office of Sponsored Programs

INTERNAL OPERATING MEMORANDUM

Memorandum No. 16A.005

Subject: Cost Transfers	
Authority: Sections 1001.74 and 1001.75, Florida Statutes	Date: 7/19/2010 Revised: 01/07/2016
Related References	2 CFR Part 200, Uniform Guidance (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)
Purpose	The purpose of this procedure is to provide guidance to the University staff responsible for processing cost transfers on sponsored projects.
Signature of Approving Authority	

1.0 GENERAL INFORMATION

This procedure is for the processing of cost transfers to comply with the requirements of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), and compliance with federal and institutional policies and procedures. Cost transfers of charges onto federally-funded sponsored awards, where the original charge was previously recorded elsewhere on FAMU's General Ledger must be justified.

- 1.1 Cost transfers must be timely and completed with appropriate explanation that support allowability, allocability and reasonableness in accordance with federal requirements.
- 1.2 Cost transfers should be processed promptly, generally 90 days from the date of the month-ending of the Financial Status Report on which the charge first appears. Any erroneous charges identified after 90 days should only be transferred to a non-sponsored program account. In addition, once an account closes and the final financial report has been submitted to the sponsor, no expenses may be charged to the closed account unless approved by the sponsor or the expense should be funded elsewhere.
- 1.3 Federal regulations require additional documentation to support cost transfers to sponsored program accounts. 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).

2.0 DEFINITION

Cost Transfer (CT) is a journal entry that transfers an expense onto a federally-funded sponsored award that was previously recorded elsewhere on FAMU'S General Ledger (GL) and requires institutional approval before it can be posted to the GL.

3.0 RESPONSIBILITIES

- 3.1 **Principal Investigator/Program Director (PI/PD)** is responsible for ensuring compliance with federal regulations as well as monitoring of sponsored project expenditures, timely correction of

errors, and proper allocation of expenses. PI/PD is also responsible for requesting and providing justification for cost transfers.

- 3.2 **Departments/Division/Colleges/Schools (DDCS)** is responsible for assisting PI/PDs in the timely review and reconciliation of expenditures, preparing cost transfers and maintaining adequate documentation of questionable costs, and ensuring all personnel engaged in the fiscal administration of federally-funded sponsored awards are familiar with the institution's policies and procedures.
- 3.3 **Office of Sponsored Programs (OSP)** is responsible for reviewing and approving cost transfer requests and all payroll documents associated with salary cost transfers.
- 3.4 **Controller's Office (CO)** is responsible for posting the necessary transactions to create a cost transfer. The Controller's Office will also verify that there is appropriate documentation to support the cost transfer.
- 3.5 **Office of Academic Affairs (AA)** is responsible for processing all sponsored project employment documents and generating faculty and A&P contracts.
- 3.6 **Budget Office (BO)** is responsible for approving and processing cost transfers associated with Educational and General funds associated with a sponsored project.
- 3.7 **Office of Human Resources (HR)** Workforce Administration Section is responsible for processing the revised payroll documents that are submitted as a result of salaries being charged incorrectly to a sponsored project.
- 3.8 **Office of Contracts and Grants (C&G)** is responsible for the preparation and delivery of the financial status report. C&G will also verify that there is appropriate documentation to support the cost transfer.
- 3.9 **Office of Organizational Development and Training (ODT)** is responsible for the development and coordination of training on regulatory requirements for all individuals with responsibilities in the review and approval of cost transfer on sponsored projects, including but not limited to PIs, OSP staff, C&G staff and grant administrators.

4.0 GENERAL PROCEDURES

4.1 **Principal Investigator/Program Director (PI/PD)**

The PI/PD has the primary responsibility for ensuring compliance with federal regulations as well as the monitoring of expenditures, timely correction of errors, and proper allocation of expenses. The PI/PD is responsible for determining that there is a need for a cost transfer due to an erroneous charge. PI/PD must provide justification for non-payroll cost transfers (e.g. materials and supplies, and equipment).

- Ensure purchased items on sponsored project are allowable, allocable and reasonable and will directly benefit the project.
- Ensure the item/cost will directly benefit the project onto which the expenditure will be charged. Items purchased at the end of a project (e.g., within the last 90 days) are subject to even greater scrutiny by the OSP and during an audit.
- Ensure that appropriate payroll documents are provided for any requested salary cost transfer. The documentation should be retroactive to the date of the error.
- Ensure when transferring a cost, the item/cost will also directly benefit the project onto which the expenditure will be charged.
- Complete timely review and reconciliation of grant expenditures and, encumbrances transactions regularly to reduce the need for cost transfers, and, in most cases, a journal adjustment within the same month of the original expense to immediately correct erroneous transactions.

- Monitor the timeliness of expenditures being charged on sponsored project as well as the cost transfers for their projects on a regular basis.
- Ensure internal controls are maintained, cost transfers are infrequent and adequate records are maintained for auditing purposes.
- Transfer request may be submitted to the OSP via email or signed memorandum.

4.2 **Departments/Divisions/Colleges/Schools (DDCS)**

- The department administrators are responsible for providing oversight and monitoring the sponsored project within their respective units.
- Ensure all personnel engaged in the fiscal administration of federally-funded sponsored awards are familiar with the institution's policies and procedures.
- Ensure purchased item or when requesting transfer costs on behalf of the PI/PD's the departmental administrator should ensure the item/cost will directly benefit the project onto which the expenditure will be charged. Items purchased at the end of a project (*e.g.*, within the last 90 days) are subject to even greater scrutiny by the OSP and during an audit.
- Assist PI/PDs in the timely review and reconciliation of sponsored project expenditures and encumbrances transactions regularly to reduce the need for cost transfers, and, in most cases, a journal adjustment within the same month of the original expense to immediately correct erroneous transactions.
- Assist and/or prepares cost transfers requests and maintaining adequate documentation of questionable costs.
- Ensure timely monitoring and management of sponsored projects to ensure transfer request are submitted and approved less than 90 days.
- Ensure purchased items on sponsored project are allowable, allocable and reasonable and will directly benefit the project.
- Ensure that appropriate payroll documents are provided for any requested salary cost transfer. The documentation should be retroactive to the date of the error.
- Ensure when transferring a cost, the item/cost will also directly benefit the project onto which the expenditure will be charged.
- Responsible for removing unapproved cost transfers to a non-sponsored project to departmental account in a timely manner.

4.3 **Office of Sponsored Programs (OSP)**

OSP Post-Award is responsible for reviewing and ensuring request for transfer of costs are allocable, allowable, and reasonable for the sponsored project. The OSP is responsible for reviewing payroll documents associated with salary cost transfers and approving requests.

- Ensure purchased item or approve cost transfers of item/cost will directly benefit the project onto which the expenditure will be charged. Items purchased at the end of a project (*e.g.*, within the last 90 days) are subject to even greater scrutiny by the OSP and during an audit.
- Provide guidance to PI/PD and departmental administrator regarding cost transfer policy and procedures.
- Approve less than 90 day or over 90 day cost transfers, as needed.
- Obtain supporting documentation from PI and/or department administrator for the transfer of non-payroll charges.
- Approve the request for Internal-Departmental Transfer Request (I-DTR) and submit timely to the Controller's Office.

- Review of post award expenditures and encumbrances transactions regularly to reduce the need for cost transfers, and, in most cases, a journal adjustment within the same month of the original expense will immediately correct erroneous transactions.
- Any cost transfers affecting a previously submitted financial report or final invoice regardless of how old the original transaction, are generally unallowable. Exceptions in rare cases require OSP. The departmental college/school is responsible for all unallowable costs if applicable.

Reasons Cost Transfers Maybe Necessary

- A data entry error occurred when entering the project number or account code for the original charge.
- The incorrect project number was reflected on the expenditure request documentation.
- Charging a non-sponsored program alternative project or account because the University has not received the official award.
- Please note that costs incurred prior to the start date of the award are considered "pre-award" costs. An "advance project" should be requested to charge allowable pre-award costs to eliminate the necessity for cost transfers.
- Under 90 days reallocation of original salary and fringe to reflect actual effort after the effort has been certified or after the certification due date.
- Adjustments between main project accounts and subcontract accounts not within the same account group/reporting period or budget period.

Unallowable Cost Transfers

A cost transfer from one sponsored project to another may not be processed to:

- Cover cost overruns with funds in other sponsored projects.
- Avoid restrictions imposed by the Sponsor.
- For any other reasons of convenience.

Extenuating Circumstances

- Late issuance of appropriate documentation for reasons beyond the control of the requestor, such as late issuance of an award by a funding agency.
- Failure of another department to take action when supporting documentation had been properly submitted.
- Transfer of expenditures from an unrestricted account to a federal award that was not in place when the expense was incurred.

Processing Cost Transfers

- The PI/PD or departmental administrator must initiate the revised employment documents to transfer salary costs. Documents must be routed through OSP. The documentation should be retroactive to the date of the error.
- AA processes all revised employment documentation and routes through the Budget Office and to HR as required.
- The HR, Workforce Administration Section process revised payroll documents.
- C&G prepares the required documents to transfer the salary costs.
- University Inter-Departmental Journal Transfer form is used for non-salary charges.

Documentation for Cost Transfer

- 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 the transfer. The department college/schools must fund any disallowed charges. Close attention must be directed toward occurrences when cost transfers are made.
 - 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

- Cost transfers should be processed promptly, generally 90 days from the date of the month-ending of the Financial Status Report on which the charge first appears.
- Any erroneous charges identified after 90 days should only be transferred to a non-sponsored program account.
- In addition, once an account closes and the final financial report has been submitted to the sponsor, no expenses may be charged to the closed account unless approved by the sponsor or the expense should be funded elsewhere.

Cost Transfers Not Subject to These Procedures

These journal entry adjustments do not require a cost transfer request, regardless of the date; if completed within 90 days of the original transaction date; and if completed within the specified time period.

- Payroll journal entry adjustments to manually reverse and then re-post a salary journal solely for the purpose of correcting the "period of work performed" (no other portion of the transaction is changed).
- Reallocation of faculty salary and fringe before effort has been certified or before certification due date.
- Adjustments to correct account or department code.
- Adjustments made within the same accounting period (month) of the original charge.
- Adjustments between main accounts and subcontract accounts within the same account group/reporting period.
- An adjustment of a single direct cost transaction of less than \$500.
- Internal-Departmental Journal Transfer's adjustments completed within 90 days of the original transaction date (e.g. animal per diems, etc.).
- Allocation of prepaid tuition remission.
- Transfer of pre-award expenses which were charged to a departmental/or other non-sponsored pre-award spending project.

4.4 Office of Academic Affairs (AA)

- **AA** is responsible for processing all sponsored project employment documents and generating faculty and Administrative & Professional (A&P) contracts.
- AA is responsible for faculty release time and assignment of responsibilities.
- AA processes revised employment documents to transfer salary costs. Documents must be routed through OSP. The documentation should be retroactive to the date of the error.

4.5 **Budget Office (BO)**

BO is responsible for approving and processing cost transfer associated with Educational and General (E&G) fund associated with a sponsored project.

- A request for transfer related to E&G is initiated at the Department level.
- The Department completes the Budget Transfer Form (BTF).
- The form must include an explanation/justification for the change.
- Once approved by the respective Vice President/Director, the BTF is forwarded to the BO.
- The BO staff reviews the budget transfer request for compliance with the policy guidelines and to ensure that there are sufficient funds.
- If the transfer request complies with the policy guidelines and sufficient funds are available the BO processes the transfer in the PeopleSoft Financial System.
- A system report is generated to confirm budget actions have been properly reflected in the financial system.
- Once confirmed, the transaction is initiated by the budget analyst, signed by the Director and filed along with all supporting documentation.
- A copy of the approved transfer form is forwarded to the Vice President/Division Director/Department to let them know the transfer is completed.
- If the transfer request does not comply with policy guidelines and /or there are insufficient funds available, the transfer request is sent to the Chief Financial Officer (CFO) with a staff recommendation to deny the request.
- If the CFO agrees with the staff recommendation, the Budget Office staff prepares a transmittal letter to the respective Vice President/Director/Department for the CFO's signature.
- The Vice President/Director may appeal the denials to the CFO/Vice President for Administrative and Financial Services.

4.6 **Human Resources (HR)**

- Payroll operations are a unit within the HR which processes the University's payroll.
- HR, Workforce Administration Section is responsible for processing the revised payroll documents that are submitted as a result of salaries being charged incorrectly to a sponsored project
- HR, Workforce Administration Section is responsible for employment document changes which impact salary encumbrances.
- HR, Payroll Operations Section processes overpayments and Workforce Administration Section corrects and changes employee information from the employment documents which cause salary encumbrances.

4.7 **Controller's Office (CO)** is responsible for posting the necessary transactions to create a cost transfer. The Controller's Office will also verify that there is appropriate documentation to support the cost transfer.

- CO General Accounting (GA) processes all Internal-Departmental Journal Transfer's.
- CO Asset Management (AM) processes reclassifications to OCO as needed via journal entry. To reclassify any item(s), each department is notified of the pending transfer. Departments have up to three days after notification is received to resolve any budget issues, after which AM will proceed with the necessary journal transfer.

4.8 **Office of Contracts and Grants (C&G)**

C&G is responsible for preparing financial status reports based on the award terms and conditions and processing of cost transfers on sponsored projects.

- 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.
- Budget errors related to sponsored projects transaction are corrected within the required time frames.

Required Cost Transfer Documentation

- The expense must be recorded on the institutions' accounting system before it can be removed. Specific identification (Employment documentation, PO number, invoice number, receipt number, etc.) of the original charge must be attached to or referenced in the on-line cost transfer request.
- The same expense object code must be maintained between the two accounts.
- 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 account" is not acceptable.
- In case of a salary transfer, the retroactive personnel action form or faculty employment document must agree with the Effort Certification Report.

4.9 **Organizational Development and Training (ODT)**

ODT is responsible for the development and coordination of training on regulatory requirements for all individuals with responsibilities in the review and approval of cost transfer on sponsored projects, including but not limited to PIs, OSP staff, C&G staff and grant administrators.

5.0 **DOCUMENT RETENTION**

The appropriate record retention guidelines should be followed for the retention and disposition of documents. Generally, documentation should be maintained for three years following the submission of the final financial report unless sponsoring agency requires it to be maintained for a longer time period.