

Research Administration

Issuing Department	Research Accounting Services
Title	Cost Transfers
Effective Date	December 26, 2014

Policy Statement

Temple University has established this policy and associated procedures for the processing of cost transfers to provide for internal control and responsible stewardship of sponsor and university funds. When Temple University accepts Federal research funding, it must comply with the allowability and allocability requirements of the Uniform Administrative Requirements and Cost Principles (2 CFR 200). To comply with these requirements, it is necessary to explain and justify transfers of charges onto federal and non-federal sponsored projects from other federal or non-federal projects. Timeliness and completeness of transfers and the accompanying justification for the transfers are important factors in supporting cost compliance.

Consistent with the University's Budget Monitoring policy, Principal Investigators (PIs) and assigned Business Administrators are required to monitor their projects on a regular basis. If a charge is identified that is not allocable to the project to which it was originally assigned, the charge must be transferred from that project to another funding source. In addition, if charges allocated to a project exceed the project's approved budget, resulting in an overage, a cost transfer is required to reconcile the project with the approved budget.

When purchasing an item or when transferring a cost, PIs, Business Administrators and department staff should ensure the item/cost will directly benefit the project onto which the expenditure will be charged. PIs have an obligation to clearly communicate cost assignment expectations to anyone with delegated expenditure authority. Regular review of post award expense transactions provides for timely identification of costs which may not be allocable to a project. Late cost transfers, costs incurred more than 90 days prior to the submission of the transfer request, receive significant scrutiny during audit and may bring into question the University's internal controls.

Regular review of project expenditure transactions reduces the need for late cost transfers; and, in most cases allows for journal adjustments correcting the error to be made within the same month the original expense was incurred.

Applicability

This policy applies to all sponsored projects and all transfers of costs between or to an externally sponsored project after the original charge was posted.

Requirements

Procedures must ensure that cost transfers:

- 1) Are supported by a justification that clearly establishes the allocability of the transferred expense;
- 2) Provide an explanation on why the transfer is required;
- 3) Provide detail on actions that are being taken to prevent a reoccurrence of the events that led to the need for the transfer; and
- 4) Are made within a reasonable period of time.

Costs may not be transferred to another sponsored project for the following reasons:

1. In order to meet deficiencies caused by overruns or other fund considerations;
2. To avoid restrictions imposed by law or by terms of the sponsored agreement; or
3. For other reasons of convenience.

See the related appendices for additional detail on processes to support compliance with this policy:

Appendix I: Cost Transfer Processes and Guidance

Appendix II: Cost Transfer Procedures for Overages

Who Must Comply

The PI, assisted by their business administrator at the respective school or college managing the award is responsible for monitoring the grant spending to ensure that charges to a project are reasonable, allocable, and allowable.

All individuals involved with the administration and conduct of sponsored activities, including Temple Grants Management, Research Accounting Services, Principal Investigators and Business Administrators must comply with the requirements of this policy to ensure the University maintains an effective internal control environment.

Definitions

Allowability: The determination of whether or not costs can be charged to a sponsored project.

Allowable Costs: Allowable costs are those costs that are necessary and reasonable; conform to any limitations or exclusions in the terms of the award; are consistently treated and adequately documented. These general criteria are used to determine whether or not costs can be charged to a sponsored project by an authorized individual.

Allocability: A cost is allocable to a particular sponsored project, if the goods or services involved are chargeable or assignable in accordance with relative benefits received. In order to be allocable a cost must be treated consistently in like circumstances.

Cost Transfer: A cost transfer is the reassignment of an expense to a fund after the expense was initially charged to another funding source.

Late Cost Transfer: A cost transfer requested greater than 90 days after the original transaction posting date.

Original Charge: The initial posting of an expense to the University's general ledger.

Reasonableness: A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Regular Review of Transactions: A review conducted on a regular basis, but no less frequently than monthly.

Exhibit Listing

Appendix I: Cost Transfer Processes and Guidance

Appendix II: Cost Transfer Procedures for Overages

Appendix I: Cost Transfer Process and Guidance

PROCEDURE APPENDIX I to Cost Transfer Policy

Cost Transfers

Cost transfer (journal entry) forms, including electronic cost transfers submitted through the Banner Workflow, must include a clear explanation for the transfer supported by documentation. One form can be used to document several transfers if they are part of one journal entry and if the circumstances surrounding them are identical. The department has primary responsibility for fulfilling these requirements and maintaining the related records. Research Accounting Services may request copies of additional supporting documentation or information if questions arise during the review process.

A. Cost Transfer Justifications

Great care must be exercised to ensure cost transfers are justified in a clear, complete manner. When transfers are inadequately documented, or are made for inappropriate reasons and therefore indefensible in an audit, the department is responsible for these costs and they must be transferred to other departmental FOAPALs.

The following are examples of transfers that do not need detailed explanations as described below.

- *Transfers of expenditures from the prior year fund to the competing or non-competing continuation FOAPAL. (Continuation is defined as the same project that has the same agency core award number).*
- *Transfers from a departmental 10 fund that is used as a “master” account for certain purchases (i.e. a single FOAPAL set up with an outside vendor to allow for direct billing through Accounts Payable). Costs are then allocated to the appropriate FOAPAL. A log that fully substantiates the transfer must accompany the journal.*
- *Transfers to correct a transposition error.*

The written explanation for non-labor cost transfers should clearly include the following:

1. A description of the expense(s) being transferred, including why and when the original charge(s) occurred, **AND**
2. Why the sponsored agreement FOAPAL receiving the expenditure was not originally charged, **AND**
3. Why it is appropriate to charge the receiving sponsored agreement FOAPAL, **AND** if applicable
4. If the cost transfer is over 90 days, the explanation must include a justification for lateness, including a procedure to prevent this situation from occurring in the future. Transfers made after 90 days will be considered only under extenuating circumstances. Extenuating circumstances include but are not limited to the following:
 - The official award document, including amendments or modifications, was received after the start date of the award, causing a delay in the set-up of the grant and fund number.
 - The account number assignment was delayed because of negotiation issues.
 - The official approval from the sponsor for specific expenditures was received after the expenditure(s) was/(were) processed.
 - The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expenditure(s) was/(were) processed.
 - Others as deemed appropriate by the Director of Research Accounting Services.

The following documents must be attached to the cost transfer (JET) form:

- Detailed FOAPAL transaction listing(s) that show the posting of the original charge.
- Any other documents deemed necessary to support the explanation for the cost transfer.

Transfers not meeting the above criteria will be rejected and returned to the department with the reason for the rejection, even if such costs were expected as part of the project closeout. If necessary, the Federal Financial Report (FFR) or other report will be revised.

B. Labor Adjustments

1. Since labor distributions are initially made based on how an individual is expected to expend their effort over an extended period of time, corrections to these distributions when actual effort is determined to be different, represent legitimate transactions to ensure payroll charges match effort expended. It is understood that changes to labor distributions done at the time of effort certification are not subject to the 90 day limitation.
2. Departments are expected to review externally sponsored accounts monthly and make changes as soon as the information is available.
3. For awards that expire in the middle of an effort reporting period, departments are responsible for ensuring the accuracy of the salary charges before RAS issues a final expenditure report. Changes to salary distributions may not be made after a final financial report is issued.
4. Payroll reallocations processed in order to fully expend projects at termination are unallowable charges.
5. RAS has an automated mechanism in place to move salaries from one FOAPAL to another when the grant has a continuation FOAPAL. In those situations, expense distribution change forms are required to be submitted to ensure encumbrances are placed on the correct FOAPAL.

Appendix II: Cost Transfer Procedures for Overages

PROCEDURE APPENDIX II to Cost Transfer Policy

Overages

After identifying an overage situation, the business administrator should work towards a timely resolution, which should include informing the Principal Investigator and Grant Analyst of the issue/status and the actions to be taken to resolve it going forward.

The Principal Investigator should routinely review the financial information associated with their awards. Where necessary, they should work with their school or college's business administrator and grant analyst to resolve the overage or provide explanations. Principal investigators automatically receive access to the referenced tools below because of their role in the project.

The Business Administrator can utilize the following reports and systems to access information necessary to determine if a grant is in an overage position. The following list describes the tools available and a brief description of each:

1) Cognos Report: Cost Center Summary (Grants) – GL214

The Cost Center Summary Report (Grants) – GL214, provides the ability to query on one or more than one grant as of a specific fiscal year and period. The report allows you to drill through to transaction detail for both payroll and non-payroll expenditures. The university community is notified each month via an email from the Controller's Office when each period is closed. This email serves as a reminder to departments to review their financial reports.

2) Cognos Report: Cost Center Summary (Revenue and Expenses) - GL 212

The Revenue and Expenses Cost Center Report is used for capitated clinical trials. As expenditures and revenues are accounted for a fiscal year basis, rather than Inception-to-Date, this report provides the proper detail. Again, this report allows you to drill through to transaction detail for both payroll and non-payroll expenditures.

3) Cognos Report: Overage Report – Subtotals by Analyst and Grant

The Overage Report is based on the user's FUND-ORG security and will provide a listing of any grant that they have access to that are in an overage position. This report allows the user to prompt for a specific fiscal year and period. Current or prior (closed) periods can be selected. The report can be saved in a PDF or Excel format.

4) Self-Service Banner

Business Administrators can also run queries in Self-Service Banner to determine the up-to-the-minute balance in a grant. They can obtain information about a current or prior (closed) period. The resulting queries provide drill-through capabilities for both payroll and non-payroll expenditures. Where applicable, the user can also access the image of the document that the transaction stems from. This information can be downloaded for analysis into Excel and is available 24/7.

The Grant Analyst acts as the point of contact in resolving overage issues. Grant analysts are required to review overages on the awards to which they are assigned and reach out to the departments not less than quarterly. If a timely resolution is not made, the grant analyst has the right to prepare a cost transfer moving the overage to a non-grant FOAPAL. In these situations, the business administrator and /or Principal Investigator will be notified that corrective action is to be taken.

Additional Funding Anticipated

When it is expected that an overage will be cleared as a result of additional funding, the business administrator should provide documentation and related explanations to their designated Grant Analyst. They should also ensure that this information is shared with the appropriate contacts in Temple Grants Management. If the additional funding does not occur, the department is responsible for covering the overage.

No Additional Funding Anticipated

During the fiscal year, if an overage is identified and no additional funding from the sponsor is anticipated, the overage must be cleared within 45 days or fiscal year end.

Fiscal Year End (June 30th)

At the end of the University's fiscal year, it is a requirement that any and all overages be adequately explained or transferred back to the department responsible for the award. Typically, the grant analyst will determine from the business administrator the situation and document cases where funding is expected. In those cases, the overage remains until the official award documents are received at which time a budget entry will be made to the general ledger.

In situations where additional funding cannot be documented, the Grant Analyst will prepare a cost transfer to transfer the funds from the grant to a non-grant FOAPAL.

Close-Outs

The grant analyst will work with departments during the preparation of the final report of expenditures (usually 60-90 days after the project end date) to ensure grants are fully reconciled in a timely manner.

Billing

The Grants Billing Module of Banner has mechanisms in place to prevent bills from being generated when an overage position exists. Given that, grant analysts are provided with a monthly Grant Overage Report indicating which award is not able to be billed as a result of an overage. The analysts are expected to review this report and coordinate with business managers to correct the overage positions in order to allow the bill to produce on the next billing cycle.