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| **University of Central Florida**  **Guidance & Directive** | |
| **Guidance & Directive No: ORC-02** | **Date of Adoption/Revision: August 2018** |

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| **Subject** | **Cost Transfers** |
| **Authority** | **OMB Uniform Guidance, Subpart E** |
| **Applicability** | **Administration of Sponsored Projects** |

**Statement and Purpose**

The University requires that all costs charged to sponsored awards must be allowable, allocable, reasonable and timely. Costs should be charged to the appropriate sponsored project account when incurred. Diligent review of financial records and timely communication between principal investigators and departmental administrators should prevent the necessity for transfers; however, there are circumstances where it is necessary to transfer expenditures to or from a sponsored project subsequent to the initial recording of the charge.

Uniform Guidance ([200.405 – Allocable Costs](https://www.ecfr.gov/cgi-bin/text-idx?SID=e84713e24be0fb4548da7c8fd2782f5c&mc=true&node=sp2.1.200.e&rgn=div6#se2.1.200_1405)) requires that any costs allocable to a sponsored project may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. In addition to federal guidance, sponsors may have specific guidelines on cost transfer allowability. The Office of Research should be consulted when clarification or guidance is requested related to the allowability of any proposed cost transfer.

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate control systems:

* Frequent cost transfers
* Late cost transfers (transfers greater than 90 days from origination)
* Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Inappropriate transfers will result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency.

**Definition of Cost Transfers**

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to or from a sponsored project. Funding agency requirements concerning the management of awards made to institutions such as the University of Central Florida limit the circumstances under which cost transfers are allowed. In contrast, a rebudgeting action involves the reallocation of budgeted funds and not a transfer of expenditures.

**Cost Transfer Necessity**

When the necessity for a cost transfer is identified, a cost transfer journal is prepared at the department level (PI, designee or department administrator) and accompanied by the Cost Transfer Explanation Form and justification/documentation. Specific questions from this form must be answered depending on the timeliness of the transfer (“Timeliness” section for further explanation of cost transfer timeliness). To be approved, all cost transfers must be timely, documented and explained in detail using the Cost Transfer Explanation Form, adhere to the sponsor’s standards, and have all appropriate authorizing signatures. If the cost transfer is approved by OR, the cost transfer journal is forwarded to the Grants Accounting worklist for final review and posting to the general ledger.

Here are some examples of typical circumstances in which cost transfers are allowed:

* Correction of a clerical error
* Reallocation of expenses where multiple projects benefited
* Reallocation of shared resource costs
* Transfer of pre-award costs from divisional or discretionary project funds to a sponsored project
* Reallocation of a salary expense

Here are some examples of typical circumstances in which cost transfers may not be allowed:

* Reallocation of expenses because the grant has unexpended funds
* Reallocation of expenses because the clerical error was not noticed within a 90-calendar day period

**Timeliness**

All payroll and other expense (non-payroll) cost transfers related to sponsored awards should be submitted within the earlier of:

1. 90 days from the original date the transaction was posted in the University’s general ledger, or;
2. Within the reporting deadlines prescribed by the sponsor of the project terminating.

If a transfer is required after the 90-day period, more stringent guidelines must be met to satisfy sponsor regulations. Examples include, but are not limited to, delays in award notification or the PIs departure or absence due to sabbatical leave or other extenuating circumstances. Generally, the Office of Research (OR) will not process a cost transfer submitted more than 90 days after the end of the grant year in which the original transaction was posted to the University’s general ledger.

A pattern of frequent cost transfers will be subject to additional review.

**Documentation and Explanation**

All cost transfers must include a detailed explanation and justification (e.g., rationale for allocation among projects) for the transfer ([Cost Transfer Explanation Form](http://research.ucf.edu/documents/PDF/cg_Cost_Transfer_Explanation_Form2015.pdf)), as well as any supporting documentation that fully explains how the error occurred. If a transfer is to correct an error, an explanation that merely states that the transfer was made to “correct an error” is not sufficient.

The Cost Transfer Explanation forms must have the following questions answered; if over 90 days, answer all 4 questions):

Answer questions 1 and 2 when a transfer is made within 90 calendar days from the original general ledger transaction posting date:

1. Why was the expense originally charged to the account from which it is now being transferred?
2. Why should this charge be transferred to the proposed receiving account?

Answer questions 3 and 4 (in addition to questions 1 & 2) when a transfer is made more than 90 calendar days from the original general ledger transaction posting date

1. Why is the cost transfer being requested more than 90 calendar days from when the original transaction was posted in the University’s general ledger?
2. What action will be taken to eliminate the future need for cost transfers of this type? Is this action being taken?

In the instance a cost transfer is required to correct a previously processed cost transfer journal, the date the original transaction was posted to the general ledger must be used for counting purposes and not the date of the previous cost transfer. Approvals for cost transfers submitted later than 90 calendar days will only be granted in extenuating circumstances.

The PI is also responsible for maintaining the related records (see “Records Retention” for further explanation relating to requirements for maintaining documentation). OR must determine whether adequate documentation has been provided by the PI and may require additional documentation or information.

In the examination of expenditure transfers, auditors are likely to review and request additional documentation for transfers involving budgets in a deficit condition or those having unexpended funds at the expiration date. If such conditions exist, it is necessary to provide evidence that the transfer is not for reasons of budgetary convenience.

In the case of a salary cost transfer, the final payroll charges must agree with the effort certification report. See “Effort Reporting” guidance for further information relating to effort reporting.

**Payroll Cost Transfers**

Unless the terms and conditions of a sponsored award dictate otherwise, payroll cost transfers will be considered timely if made within the period allowed for effort certification. Payroll transfers to federal awards after the certification period has closed are not allowed. Payroll transfers from federal awards to institutional fund accounts are allowed as needed and as determined by the Office of Research.

For salary cost transfers, the PI must separately list on the cost transfer journal the employee name, employee ID number and the bi-weekly pay periods to be transferred prior to submitting the transfer to PeopleSoft Financials for OR approval (see “Salary Cost Transfer Requirements”). The University is required by federal regulations to certify effort provided on sponsored projects, which is completed after-the-fact on a semester basis. All transfers involving salary costs must be supported by effort reporting. Any retroactive salary cost transfers that conflict with, or are not supported by, previously certified time and effort reports, present audit risk for the University. See “Effort Reporting” guidance for additional information relating to effort reporting.

**Non-Payroll Cost Transfers**

Unless the terms and conditions of a sponsored award dictate otherwise, non-payroll cost transfers ordinarily will be considered timely if made within the 90 days following the journal date that the original transaction is posted in the general ledger.

**Roles and Responsibilities**

**Principal Investigator/Department Designee Responsibilities:**

* Ensures that expenditures are allocable, allowable, and reasonable to a specific sponsored project.
* Ensures that expenditures are allocated in accordance with award budget, sponsor guidelines, and UCF policy.
* Ensures that individuals have appropriate authority to incur and allocate expenditures.
* Ensures that monthly monitoring of expenditures, timely correction of errors, and reallocation of expenses, including personnel effort, occurs.
* Ensures compliance with UCF Cost Transfer Policy.
* Initiates and/or authorizes requests for cost transfers.
* Provides complete, clear and reasonable justification for transfers as required by this policy.
* Manages project to minimize the need for cost transfers.

**College / School Responsibilities:**

* Ensures that personnel responsible for financial administration of sponsored projects are familiar with UCF Cost Transfer Policy.
* Provides oversight and advice on sponsored project administration including cost transfers and effort reports.
* Provides support to answer questions and concerns from PI’s and departments regarding cost transfer issues.
* Approves transfers, and ensures 90-day compliance with UCF Cost Transfer Policy.

**Office of Research Responsibilities:**

* Exercises stewardship over sponsored projects in accordance with specific award terms and conditions and sponsor policy.
* Advises PI, Department, and Dean’s Office on processing cost transfer adjustments and procedures.
* Reviews and approves cost transfers and supporting documentation in accordance with UCF policy and sponsor guidelines.
* Provides training on Cost Transfer Policy and principles of sponsored project administration.

Please note that the distribution of these responsibilities may vary in different areas of campus. Responsibilities may be shared or delegated differently between the respective groups depending on organizational structure and staffing at the PI/designee and/or college/school level.

**Assistance and Support**

The Office of Research is available to respond to inquiries and assist the PI or designee and College/School personnel with question regarding Cost Transfers. Your College/School’s Dean’s administrative office will also be able to provide guidance with cost transfer issues and concerns