SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

Policy Manual

SUBJECT: Cost Transfers

NUMBER: Policy IX-16

Introduction & Purpose

Proper management of sponsored awards is essential to meet the fiduciary responsibilities of the School. The State Division of Audit and the Federal government continue to place special emphasis on cost transfers when auditing federal awards. Audit reports have cited instances where costs are transferred from other sponsored projects many months after the original charges were recorded and recent findings have also indicated a lack of standard procedures and policies with regard to expenses and reporting.

While the State, the Federal government and the School recognizes that cost transfers from one fund to another are occasionally necessary to correct bookkeeping or clerical errors in the original charges, these should not become the norm or the standard practice. They also recognize that closely related work may be supported by more than one funding source, and transfer of costs may be required in these cases once reconciliation of tracking documentation occurs and final reports are drafted. Frequent, late, and inadequately explained transfers, especially those which involve funds with overruns or unspent balances, raise serious questions about the propriety of the transfers. In addition, the reliability of the State's accounting systems and internal controls are questioned when there are frequent transfers. Therefore, cost transfers must be monitored carefully in order to ensure compliance with federal regulations.

Policy

Items for cost transfer will be identified within 30 days of their appearance in BANNER during the Monthly Financial Reconciliation process and moved to their appropriate location in no more than 90 days from the date of the charge.

Definitions

Business Manager – someone authorized to approve the expenditure of funds on behalf of the Institution and/or specifically designated by a Principal Investigator to approve expenses for their Award. For institutional administrative accounts: Department Chairs/Heads, Directors, Vice Presidents, Provost and President.

Cost Transfer – movement of a cost from one fund to another.

Monthly Financial Reconciliation – the process of examining all of the expenses that have occurred during the previous month to determine whether they were the expenses that were approved by the PI/Business Manager on the award; and if not, requesting that they be moved to the appropriate fund. See V C. 14 Budget and Expense Monitoring/ Monthly Financial Reconciliation for further information.

Principal Investigator (PI) - person designated by an award document as the lead on a specific award. This person is the de facto Business Manager for all Funds associated with the award.

Regulations & Guidelines

OMB Circulars A-21 - Cost Principles for Educational Institutions
OMB Circular A-87 - Cost Principles for State, Local, and Indian Tribal Governments
OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
OMB Circular A-122 - Cost Principles for Non-Profit Organizations
OMB Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations
SDSM&T Accounts Payable Manual
SDSM&T Policies:
V C. 13 Basic Cost Principles
V C. 14 Budget and Expense Monitoring/Monthly Financial Reconciliation
V C. 17 Delegation of Authority
South Dakota Board of Regents Policy No. 5 et seq.
Specific Guidelines from funding sources (e.g., NSF FATCs)

Responsibility

Business Manager/PI: review expenditures in research projects on a monthly basis per SDSM&T Policy V C. 14 – Budget and Expenditure Monitoring/Monthly Reconciliation

Business Services: process cost transfers.

Sponsored Programs: Assist the Business Manager/PI as a resource for determining allowability of expenditures; generate the monthly reconciliation reports; assure that PIs are meeting their obligations for reconciliation. Review/certify all projects at close out. Submit cost transfers that result from the Monthly Financial Reconciliation Process to Business Services.

Procedures

Allowability of Cost Transfers (for further information on the Basic Cost Principles outlined below see V C. 13 Basic Cost Principles). The allowability of cost transfers is dependent on the following factors:

1. Timeliness
   Cost transfer requests must be timely, preferably as soon as possible after the original transaction, but in any case not later than 60 days after the posting of the original transaction. Transfer requests made long after the original charge raise questions concerning the propriety of the transfer. Therefore, transfer requests made after 60 days will be considered only under extenuating circumstances. As current federal guidelines require submission of final financial and programmatic reports within 90 days of the close of an award, requests for transfers after 90 days from the end date of an award will only be granted on extremely limited cases.

2. Appropriate Circumstances
   A cost transfer will be made under appropriate circumstances when the charge qualifies as a direct cost of the sponsored project being charged. OMB Circular A-21, Section D.1 specifies that "direct costs are those costs that can be identified specifically with a particular sponsored project...or that can be directly assigned to such (a project) with a high degree of accuracy." Typically, cost transfers are appropriate when their purpose is to correct posting or bookkeeping errors in the original charges, to reallocate resources between funds within the same Award, or to transfer pre-award costs in accordance with the provisions of OMB Circular A-110, Section C.25.

3. Explanation and Documentation Requirements
   All cost transfers must be supported by documentation which contains a justification for the transfer. The reason for each cost transfer must be properly and clearly explained, with the help of supporting documentation when appropriate, in order to prevent audit disallowances. The managing Department or Center has primary responsibility for fulfilling these requirements while Research Affairs and/or Business Services are charged with maintaining the related records. The Office of Sponsored Programs or Business Services may request copies of additional supporting documentation or information if questions arise during the close-out and review process.

Great care must be exercised to ensure cost transfers are justified in a clear, complete and convincing manner. When transfers are inadequately documented, or are made for inappropriate reasons and therefore indefensible in an audit, the Center or Department of the PI is responsible for these expenses and they must be transferred to other departmental accounts.

The written explanation should clearly include the following:

a) description of the expense(s) being transferred, including why and when the original charge(s) occurred, AND
b) why the receiving fund was not originally charged, AND
c) why it is appropriate to charge the receiving amount, AND, if applicable,
d) if the transfer request is over 60 days* the explanation must include a justification for lateness.

*Transfer requests made after 60 days will be considered only under extenuating circumstances. Extenuating circumstances include, but are not limited to, the following:

i. The official award document, including amendments or modifications, was received after the start date of the award, causing a delay in the establishment of project fund.
ii. The fund number assignment was delayed because of negotiation issues.
iii. The official approval form from the sponsor for specific expenditures was received after the expenditure(s) was processed.
iv. The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expenditure(s) was processed.
v. Death of the principle investigator.

4. Transfer Approval Authority
All cost transfers require the approval signatures of the principal investigator, and the department head/chair or senior administrative officer of the research involved.

Associated Forms

Cost Transfer Justification
Delegation of Authority Form
Journal Voucher (for changes)
Monthly Reconciliation Report
Monthly Reconciliation Signature Page

Related Training Modules

Monthly Reconciliation Process
Unallowable and allowable Expenditures