

Policy: 3-20 Rev:

Date: April 30, 1976

**Subject: COST TRANSFERS AFFECTING FEDERAL CONTRACTS AND GRANTS****I. PURPOSE**

To establish a policy and procedure for administering the transfer of expenditures from/to accounts used for recording costs of federal research and training contracts and grants.

**II. GENERAL ADMINISTRATIVE RESPONSIBILITIES**

- A. Administration of federal research and training projects is a joint undertaking of the university and the principal investigator. The university and the principal investigator share responsibility for the fiscal and administrative management and for using the funds prudently for the purposes for which the award was made.
- B. All expenditures or charges to a contract or grant are subject to later review by audit agencies to determine if the cost is an allowable expenditure.
- C. The account executive or principal investigator is designated as the individual who is fully responsible for the proper management of each contract, grant, or project. The account executive or principal investigator is expected to fulfill this responsibility by:
  - 1. Approving charges to accounts used for recording the expenditures for the projects, or designating a responsible person with authorized alternate signature power to approve all such charges to accounts.
  - 2. Personally reviewing the monthly accounting statements on a timely basis to ascertain the propriety of all entries made to each account.
  - 3. Initiating any necessary corrections and/or appropriate transfers, consistent with this policy and procedure statement.
- D. The controller's office is designated as the administrative department responsible for reviewing and approving all requests for cost transfers made by principal investigators or account executives.

**III. DEFINITIONS****A. Cost Transfer**

An adjustment made sometime after an event has occurred which transfers costs from projects, programs, or accounts where the charges had been originally recorded to other projects, programs, or accounts for reasons other than clerical errors.

**B. Clerical Errors**

Errors which result from mistake or inadvertence in the course of writing, typing, or

transcribing numbers, or from mechanical problems related to the entry of data onto a form or into the financial accounting system. Such errors generally do not result from incorrect approximations.

#### C. Payroll Corrections

Corrections made to assure that payroll records accurately report services actually performed, including changes that reflect differences which result when the preliminary estimates of the percent of effort preprinted on the time and effort report do not agree with the actual effort of the employees during the reporting period.

#### D. Adequate Documentation

Full explanation of how the error occurred, reasons why the original charge was incorrect and justification for making the retroactive charge, together with appropriate supporting documents to the extent available.

### IV. POLICY

#### A. Clerical Errors

1. Requests for correction of clerical errors must be made as soon as possible after the error is detected. An excessive delay in recognizing and reporting clerical errors results in inaccurate accounting statements and reports to granting agencies. Therefore, accounting statements must be reviewed when received and errors reported immediately. A transfer of an expenditure due to a clerical error will ordinarily not be made after 120 days from the date of entry of the original charge, except upon the written approval of the controller based on a specific determination that the clerical nature of the error is adequately documented.

#### B. Payroll Corrections

1. Salary charges to federal contracts and grants must be distributed to the contracts and grants which benefited from the services for which such payments were made.
2. The account executive or principal investigator or the person designated with authorized alternate signature authority (1) must have firsthand knowledge of the services performed; (2) must assure and certify that the Exempt Salaried Roster and Time and Attendance Reports accurately reflect the actual services performed during the applicable payroll period; and (3) when appropriate shall:
  - a. delete the names, percent of full time, and percent of effort, of employees who have been terminated;
  - b. add the names, percent of full time, and percent of effort, of any newly hired employees;
  - c. correct errors relating to account numbers;

- d. record a percentage figure to reflect actual effort expended in any case where the preprinted preliminary estimates of percent of effort do not accurately represent such effort; and
  - e. submit new Personnel Action Forms to reflect any permanent changes in personnel or in employment conditions.
3. Necessary corrections pursuant to paragraph 2 must be made at the time the Exempt Salaried Roster and the Time and Attendance Reports are certified and returned to the Employee Services Center.
  4. After the report has been certified as correct, cost transfers and payroll corrections will ordinarily not be allowed, except that:
    - a. Clerical errors may be corrected pursuant to paragraph IV.A, above.
    - b. An error, other than a clerical error, which was caused by excusable mistake or inadvertence adequately documented to the satisfaction of the controller and director of finance, may be made if the request for the transfer is submitted within 120 days after the original report was certified.
    - c. Payroll correction requests submitted more than 120 days after the original certification date may be honored only if, in addition to the approvals and documentation required under paragraph b above, the request is approved in writing by the cognizant vice president and the vice president for research.

#### C. Cost Transfers of Other Expenditures

1. Requests for cost transfers to correct nonclerical errors in charging expenditures, other than payroll, to a federal contract or grant must be promptly brought to the attention of the controller's office after the principal investigator's review of the monthly accounting statements. Adequate documentation for such errors must be provided. Normally, corrections or transfers will not be allowed unless requested within 120 days after the date of the original transaction. In unusual cases, if the facts and circumstances dictate, transfers requested after 120 days may be made with the written approval of the controller and the director of finance.

#### D. Cost Overruns of Federal Projects

1. Cost overruns on federal projects are permitted only on those projects where there is continuation award and only if authorized by the contract or grant. If authorized, these expenditures can be transferred to the continuation award when it is received. All transfers must be made within 120 days after the beginning date of the continuation award.
2. If for any reason an anticipated continuation award is not funded, or over-expenditures are incurred on a project for which the contract or grant is terminating, the principal investigator or cognizant department will ordinarily be deemed responsible for paying the

cost overruns from nonfederal funds.

#### E. Documentation Requirements

Documentation substantiating any cost transfer authorized by this policy must include the following information and approval:

1. A brief description, together with the name, federal agency number, and account number, of each grant or contract to which and from which the costs are transferred.
2. The budget year of the grants or contracts affected.
3. The name of each principal investigator affected.
4. The amount of the applicable budget year award for each grant or contract affected.
5. Specific identification with respect to the period covered and the amount transferred.
6. Adequate documentation supporting the request for transfer.
7. The financial status (underrun or overrun and by what amount) of each grant and contract, both before and after the cost transfer.
8. Signatures of (a) the appropriate account executive or principal investigator, (b) the cognizant department chairperson or director, and (c) the cognizant dean.

#### F. Review Procedures

Signatures of the cognizant vice president, and the vice president for research, shall also be provided where required by this policy and procedure statement. Cost transfer documentation as required by this policy and procedure statement must be submitted on forms supplied by the controller's office, and shall be reviewed and approved by the accounting department and the controller before the transfer request will be honored. Any subsequent disallowances made by the auditors and sustained by the awarding agency will ordinarily be the responsibility of the principal investigator or his department and must be absorbed using nonfederal funds, subject to such exceptions as the president may authorize on recommendation by the cognizant vice president.

Approved: Institutional Council 4/12/76