

ADMINISTRATIVE PRACTICE LETTER

SUBJECT: COST TRANSFERS

Section VIII-K
Issue 1
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Effective 08/30/2007

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Purpose of Guidelines

This document explains administrative requirements and financial procedures for maintaining compliance with government and other regulations regarding cost transfers on sponsored projects.

Policy

Cost transfers related to projects financed in whole or in part with Federal funds shall be administered and accounted for in accordance with standards set forth in Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non Profit Organizations," SUBPART C – Post-Award Requirements, Financial and Program Management, Section .21 Standards for financial management systems; and in applicable sections of OMB Circular A-21, "Cost Principles for Educational Institutions," Section C. 4. d. Allocation and documentation standard.

Although every effort must be made to correctly record charges to the appropriate sponsored project when the original entry is recorded, both the government and the University of Maine System recognizes it may occasionally be necessary to transfer a cost to another project or fund.

Who is Responsible

Responsibility for following cost transfer guidelines lies primarily with Principal Investigators or Project Directors, their Department Chairs or other direct supervisors, and unit-level fiscal personnel with the general guidance and oversight of the colleges, schools and divisions.

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The Sponsored Programs Office, or other designated department, is responsible for providing general guidance and technical assistance.

The University of Maine System administration is responsible for providing guidance through administrative practice letters and coordinating compliance monitoring through periodic internal and external audits.

Definitions and Terms

Direct Cost: OMB Circular A-21, Section D. 1 specifies “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.”

Types of Cost Transfers: There are two types of cost transfers:

- Salaries and Benefits
- Operating Expenses

Methods to Transfer Costs: The two methods for transferring costs are:

- Labor Distribution Adjustment to transfer salaries and benefits
- Journal Entry on the Actuals Ledger to transfer operating expenses

Procedures

Reasons for Requesting a Cost Transfer:

- To correct a clerical or accounting error: A clerical error, for example, might be a transposed number on an account code. An accounting error might be the incorrect choice of account code.
- To redistribute expenses among accounts paying for a common activity: This occurs when two or more funding sources support the same technical effort and the expenditure could be assigned to any of the supporting sources of funds.

These conditions must be met to process this type of cost transfer:

- The cost to be transferred is a proper and allowable direct charge to the receiving project,
- The cost transfer narrative explains why it is appropriate to assign the cost to multiple funding sources.

When an allocation of expense is planned—generally for efficiency purposes—the initial charge is made to an unrestricted (non-sponsored) Chartfield combination. The initial charge is made with the knowledge that it will be redistributed to several accounts.

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- To transfer pre-award costs in accordance with the provisions of OMB Circular A-110, Section C .25 Revision of budget and program plans.
- To remove cost overruns: Processed when expenditures on a project exceed budget. Procedures to transfer cost overruns are contained in the "Accounting for Grants and Contracts" business process document.

Explanation and Documentation Requirements:

Explanation: Cost transfers, when required, must be made promptly, and with full justification. The explanation should include:

- A description of the expense(s) being transferred including why and when the original charges occurred, and
- Why the receiving project was not originally charged, and
- Why it is appropriate to charge the receiving account, and, if applicable
- A justification for lateness for transfers requested 60 days after the initial posting date.

Examples of incomplete and invalid explanations that are not acceptable as stand-alone explanations are:

- To correct coding
- To correct an error
- Department duties did not allow time for correction
- To charge correct account
- To cover a cost overrun
- Work volume delayed charging the correct account
- To correct salary distribution
- To redistribute general departmental effort

Documentation: Cost transfers and the reasons for them must be documented and the documentation retained for possible review by internal and/or external auditors.

Timeliness:

Cost transfers to or from a sponsored project shall be posted

- within 90 days* after the end of the month in which the initial charge was recorded, and
- prior to the submission of the final expenditure report to the sponsor, and
- prior to the final request for reimbursement from the sponsor.

Each University may establish additional due dates within the 90-day timeframe.

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- * When an employee reviews an Activity Report and certifies it subject to a labor distribution adjustment, the adjustment must be processed within the timeframe indicated in APL VIII-E Effort Certification.

Signing Authority:

Cost transfers are recorded by the Sponsored Programs Office, or other designated personnel. Universities may set requirements for approval signatures from personnel such as principal investigators or program managers, research unit financial managers or directors, department heads, or other designated senior administrative or financial officers.

Responsibilities

University of Maine System Administration:

- Provides an administrative practice letter with guidance on cost transfers.
- Provides procedures for processing cost transfers.
- On occasion, processes sponsored project cost transfers, a responsibility generally assumed by the Sponsored Programs Office.

Sponsored Programs Office, or other responsible department:

- Provides general coordination and guidance to Principal Investigators or Project Managers on procedures and acceptable reasons for requesting and processing cost transfers.
- Reviews requests for cost transfers and processes those approved.
- For approved cost transfers related to cost overruns, follows procedures described in the business process document "Accounting for Grants and Contracts."

Principal Investigators or Project Directors, their Department Chairs or other direct supervisors, and unit-level fiscal personnel:

- Performs periodic financial review to identify required cost transfers and initiates request to the Sponsor Programs Office, or other responsible department, for processing the transfers within the University's established timeframe.
- In coordinating Effort Certification activity reports, initiates cost transfers required by the certifier within the timeframe established in "APL VIII-E Effort Certification".
- Responsible for maintaining supporting documentation for cost transfers subject to audit.

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Frequently Asked Questions

1. Does this policy on cost transfers apply to voluntary committed cost sharing funds?

Yes, voluntary committed cost sharing funds are subject to the same terms and conditions, and institutional policies that apply to the sponsor funds.

2. Does the Cost Transfer policy apply to transfers of expenses among class codes but within the same account?

No. You may transfer expenses within the same account to multiple class codes when you need to track account expenses at a greater level of detail. Whenever possible, however, rather than assigning class codes after-the-fact, include them on the initial transaction.

History of Policy

Issue 1: Effective 04/02/2007

Related Documents

[Accounting for Grants and Contracts](#) - business process document

[APL VIII-C Direct Charging of Expenses](#)

[APL VIII-E Effort Certification](#)

[APL VIII-J Financial Reporting](#)

[APL VIII-I Revision of Budget and Program Plans](#)

[APL VIII-L Closeout Procedures](#)

APPROVED:

Chief Financial Officer and Treasurer