

Grant and Contract Accounting Office Transfer of Expenditures Involving Fund 145 Projects

Federal, state, and private agency policies and audit guidelines have become quite stringent as they relate to cost transfers between grant and contract programs. Costs allowable to a particular sponsored agreement . . . may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience per cost principles set out in Title 2 in the Code of Federal Regulations (2 CFR), subtitle A, chapter II, part 220 (formerly Office of Management and Budget, Circular A-21).

The Department of Health and Human Services (DHHS) has issued a definite policy statement containing specific guidelines on cost transfers. Since DHHS has the Federal audit responsibility at most universities, including Central Washington University (University), these guidelines are extended in audit practice to the University's sponsored programs from other Federal agencies as well. State and public auditors use similar audit guidelines when reviewing nonfederal grants and contracts. Since the University has a stewardship responsibility for all funds made available for research and training, these cost transfer guidelines are applied consistently to all sponsored agreements.

PI's and departments should have expenditure review systems in place to detect posting errors within a reasonable time frame. The untimely discovery of errors could ultimately be an indication of poor internal controls.

Transfers of Goods and Services Transactions

When transferring non-salary expenditures to or from a sponsored project, the conditions which should be adhered to are as follows:

1. Transfers should be processed within 90 days after the expense was occurred. In addition, expense transfers should be submitted promptly to the Accounting Office after the end of the financial reporting period to facilitate timely submission of financial reports by the Grant and Contract Accounting Office (GCA).
2. Revenue transfers and project id changes for outstanding requisitions (encumbrances) are governed by separate processes.
3. The following information should be included on all expense transfers:
 - o The reason(s) for transferring the expenditure should be sufficiently stated to establish that the transfer is within the approved guidelines of the budget to be charged and is in direct support of the project objectives. It is important to stress the benefit to the program receiving the cost in all instances.
 - o The reason(s) the expenditure was initially charged to the incorrect budget.

- Expenditure transfers should be processed within 90 days after the expense occurred. If, however, the transfer is requested more than 90 days after occurrence, a 90-day Cost Transfer Explanation Form should be attached to expense transfer form.
- GCA reviews and approves most, if not all Fund 145 expense transfers prior to posting to ensure compliance. Questions concerning allowable transfers should be referred to GCA. The GCA can also provide assistance in establishing project id monitoring procedures to minimize the need for expenditure transfers.

Documenting Salary Transfers

The same principals apply to payroll transfers as apply to non-payroll transfers with the following additions:

- Most payroll transfer requests should be submitted directly to GCA with the reason(s) for transferring the expenditure sufficiently stated to establish that the transfer is within the approved guidelines of the budget to be charged and is in direct support of the project objectives. It is important to stress the benefit to the program receiving the cost in all instances.
- Request should also state the reason(s) the expenditure was initially charged to the incorrect project id.
- The transfer request should be approved by the Principal Investigator (PI) or an individual who has been delegated authority by the PI or has direct knowledge of how the work benefited the receiving project (i.e. timesheet).
- Expenditure transfers should be processed within 90 days of when the effort was committed. If, however, the transfer is requested more than 90 days after occurrence, a 90-day Cost Transfer Explanation Form should be attached to expense transfer form.
- For salaries already certified through a GCA Effort Report Form, please contact GCA directly on how to proceed.
- The GCA reviews and approves most Fund 145 payroll transfers prior to posting to ensure compliance. Questions concerning allowable transfers should be referred to GCA. The GCA can also provide assistance in establishing project id monitoring procedures to minimize the need for payroll transfers.

Countering Assumption of Transfer for Convenience

In the examination of expenditure transfers, auditors are especially skeptical of both salary and non-salary transfers involving projects in a deficit condition or those having unexpended funds at the expiration date. If such conditions exist, it is particularly essential to provide convincing evidence that the transfer is not for reasons of budgetary convenience.

Consistency between Payroll Documents and Effort Reporting Reports

It is essential that the salary distribution reported on the GCA Effort Reporting Form that is supported by FMS payroll distributions/transfers be consistent with the effort being performed. When the salary distribution reported on the GCA Effort Reporting Form reflects a material

difference from the actual effort distribution, a FMS salary transfer will be prepared that reflects the change and PI approval sought by GCA.

Late Awards

Care should be taken to not start work on a project before funding is assured. When an award is late, or a project id set-up is delayed, salary and non-salary expenditure transfers may be avoided by using the GCA process for obtaining project id in advance (see Set-up of Advance Fund 145 PID). When it is not possible to establish an advance Fund 145 project id, interim appointment(s) may not be made to another sponsored funding source.

Number of Payroll Changes

Frequent or inadequately explained cost transfers raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the PI/department's cost distribution system, and may result in a comprehensive audit by internal and/or external auditors. It is therefore important that departments have procedures in place that ensure accurate accounting for costs and timely correction of errors.

Questions concerning salary transfers involving grant/contract projects should be referred to Grant and Contract Accounting (GCA). Questions concerning non-grant and contract salary transfers should be referred to the Payroll Office.