

# Cost Transfer Frequently Asked Questions

## 1. What is a Cost Transfer?

A cost transfer is any movement of expenses to a sponsored project via a journal entry (other than those resulting from a certified effort report or the payroll system). The term "transfer" is used in this context because federal regulations use the expression "cost transfer". Institutions receiving federal funds are potentially subject to audit disallowances if sufficient control and documentation of cost transfers is not maintained. For a cost transfer, just as for any other expenditure transaction, the federal government is looking for documentation to establish that the expenditure is appropriate to the account receiving the charge, i.e. that it is generally allowable, reasonably allocable, and directly applicable to the activity represented by the charged account. Not just the nature, but also the timing, of cost transfers is important. For example, auditors will often assume that a late transfer into an under expended grant account from an overextended account was made simply to cover the over expenditure. Also, frequent errors in the recording of costs may indicate to auditors the need for improvements in the university's controls.

## 2. Are two signatures required on all cost transfer requests?

Yes. This has always been the case, and the rule has not changed. There should always be at least two signatures ("requested by" and "authorized") from individuals who have knowledge of the account to which the expenditure is being moved and who have authorization to sign off on the account.

## 3. Does the Principal Investigator have to be the "authorized" signature if the expenditure being transferred is not more than 90 days old?

No. In this case the "authorized" signature may be from someone other than the Principal Investigator who has knowledge of the account to which the expenditure is being moved and who has authorization to sign off on the account.

## 4. Do the 90/120-day signature rules start from the expenditure item date or from the date of the cost transfer form request?

The 90/120-day rules start on the expenditure item date of the expenditure for which a transfer is being requested.

## 5. What type of reason must be given for doing the cost transfer?

A generic statement such as "Expenditure was charged to the wrong account in error" is *not* an appropriate explanation. A more detailed reason should be supplied as to why the expenditure was charged to the original account and why the decision now is being made to move it to another account.

## 6. Do we need accountant approval/signature from the GL accountant and the GA accountant?

Yes. If the cost transfer involves a GL account, you should have approval from the GL accountant before the cost transfer form is sent to Grants Accounting for processing.

## 7. When a charge hits our account that is coming from a service center batch, who should we contact for details?

You should contact the service center that created the batch.

## 8. Who can sign on behalf of the Principal Investigator, Department Chair or Dean?

Only the School Fiscal Officer can sign for the Dean. No one can sign for the Principal Investigator or Department Chair.

## 9. May e-mails be accepted as signatures?

No. UAB policy states that actual signatures must be provided and that e-mails or initials are not acceptable.