

Appendix E - UAB Grant Cost Transfers Policy

GRANT COST TRANSFERS POLICY

A cost transfer is any transfer of expense to a sponsored project via a journal entry (other than those resulting from a certified effort report or the payroll system). Institutions receiving federal funds are potentially subject to audit disallowances without sufficient control and documentation of cost transfers. To minimize UAB's vulnerability in this area, this cost transfer policy has been developed to provide guidance on the subject.

In all cases, cost transfers must be made promptly. In this context, "promptly" means that the cost transfer should be made no later than 90 days of the original transaction. Requests for cost transfers to be processed between 91 and 120 days must be signed specifically by the principal investigator and must also be approved by the applicable department chair. If under some rare circumstances, it should be necessary to make a cost transfer beyond 120 days, then the applicable dean's signature will be required in addition to the signatures of the principal investigator and department chair. Requests for late cost transfers should include an explanation of the extenuating circumstances which prevented the transaction from being made earlier.

The request for cost transfer must include specific identification of the original charge; justification of the appropriateness of the charge to the receiving account; and a full explanation of why the transfer is necessary.

The department, with which the grant receiving the charge is affiliated, is responsible for appropriately funding any cost transfers, which are disallowed due to failure to meet the timing requirements stated above or if any cost transfers are later disallowed on audit.

When the work supported by one sponsored project is determined to represent work closely related to that of another sponsored project, a cost transfer in from one of the accounts to the other might be legitimately made with prior written approval from the sponsor receiving the charge. At a minimum, the following conditions must be met to justify a cost transfer on the grounds that the activity qualifies as "closely related work":

- The projects are scientifically and technically related.
- The projects are under the direction of the same principal investigator.
- There is no change in the scope of the sponsored projects involved.
- The relating of costs will not be detrimental to the conduct of work under each award.
- The relatedness will not be used to circumvent the terms and conditions of the awards.

However, under no circumstances can costs that directly benefit nonfederal projects be assigned or transferred to federal projects, whether or not interrelated, if the federal project does not also benefit directly from the expenditure.

Implementation

The Vice President for Financial Affairs & Administration through its Grants & Contracts Accounting Department is responsible for developing, implementing, and maintaining the procedures associated with this policy. This formal policy is effective 10/1/96, though the general principles are not new.

Note: The term "transfer" is used in this context only because federal regulations use the expression "cost transfer". This does not mean that these entries are recorded on "transfer" object codes within the meaning of college & university accounting principles. Instead, these entries are normally recorded with the debit and credit on the same object codes as were used on the original transaction.