FINANCIAL SERVICES/CONTROLLER GUIDELINES

Cost Transfers

**Purpose:** To ensure that reassignments of costs involving a grant account are in compliance with the requirements contained in federal regulations and sponsoring entity guidelines.

**Source:** US Office of Management and Budget. OMB Circular A-21, *Cost Principles for Educational Institutions*

**Guideline:** The Project Investigator (PI) on any grant/contract is responsible to ensure that only allowable, allocable, and reasonable costs are charged to the grant/contract. Costs should be charged to the appropriate grant when first incurred. However, there may be circumstances that require transferring expenditures to a grant/contract subsequent to the initial recording of the expense.

Transfer of costs either into or out of a grant account require monitoring for compliance with HCC guidelines, federal regulations, grant specific guidelines, and the cost principle that underlie fiscal activities on grants. Should Grants Accounting find an error, it is forwarded to the PI for further research, review and approval of correction.

Federal agencies require grantees to have systems in place to detect and correct clerical, bookkeeping, or other posting entries within a reasonable timeframe. To promptly identify costs that have been erroneously posted to a sponsored account, the PI or designated support staff should review expenses *at least on a monthly basis*. Timely review of expenditures will help correct errors and limit the number of cost transfers.

Cost transfers increasing a grant’s expenditures should be requested within 90 days after the month in which the cost was originally posted to HCC’s financial accounting system. Any request received after the 90 day period will require review and approval by college administration. If an unallowable expenditure is discovered on a federal grant it must be removed regardless of the time limit. A shorter transfer period will be required near the grant...
end date. Cost transfers must be completed no later than 60 days after the grant terminates. This is necessary to promptly charge the grant and not delay submission of final financial reports. Transfer requests on terminated grants will be reviewed by Grants Accounting on a case-by-case basis and may not be approved.

Federal and other sponsor regulations require written justification, certified by the PI or authorized designee on all cost transfers, that document:

1. Why the error occurred resulting in the need for a transfer
2. Why the cost transferred is allowable, allocable and a reasonable charge on the new account.

And

3. How the charge supports performance of the scope of work. Explanations that merely state that the transfer was made ‘to correct an error’ or ‘to transfer to correct project’ are not sufficient.

Retroactive payroll adjustments may affect previously submitted effort reports and will require re-certification and submission of a new effort report reflecting the change.

Procedures:

**Principal Investigator (or designee):**

1. Initiate the Transfer Request form as applicable. Note: To ensure compliance with regulations, the PI is responsible for ensuring that expenditures are regularly monitored and that cost transfers are:

   a. Made within 90 days after the month in which the cost was originally posted in Datatel but no later than 60 days after the grant terminates.

   b. Supported by a written explanation or other circumstances occurred that would justify the cost transfer. Statements such as ‘to correct errors’ or ‘to transfer to correct account’ are not acceptable.

2. Explain specifically how the error or other circumstances occurred that would justify the cost transfer. Statements such as ‘to correct errors’ or ‘to transfer to correct account’ are not acceptable.

3. Attach documentation such as printouts from Datatel of the transaction to be corrected or any other applicable supporting documentation.
4. Forward the Transfer Request form and supporting documents to Grants Accounting and copy the college fiscal office.

**Grants Accounting:**

5. Review and verify the transactions to be corrected.

6. Validate appropriateness of transfer to new account (object codes, period of time, available funds, etc.)

7. Review justification.

If further justification is needed or the request is denied:

8. Return original request form to the PI with an explanation.

If approved:

9. Prepare journal entry, enter into Datatel and submit for posting with attached support.