

# THIS IS NOT A POLICY

## DRAFT POLICY AND INTERIM GUIDELINES

### COST TRANSFER POLICY

#### SCOPE

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This policy applies to any faculty, staff or other authorized persons managing expenses at UC San Diego. Adherence to this policy is required of university affiliates or other related organizations doing work on behalf of UC San Diego. This policy applies to all transfers of expenses, with additional requirements related to federally sponsored awards.

This policy is complementary to UCOP policy BFB A-47: Direct Costing Procedures  
<https://policy.ucop.edu/doc/3420326/BFB-A-47>

#### POLICY SUMMARY

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The University is committed to the accurate and timely maintenance of its financial records. Expenses need to be properly classified and expensed. There may be times where a charge is posted incorrectly requiring a corrective adjustment. Movement of costs requires the expense to be reclassified through a change to the Chart of Accounts or to the Project, Organization, Expense, Task, Award, Fund (POET(AF)) string in the Project Module of Oracle Financials Cloud. These corrections need to be identified and processed expeditiously.

This policy describes the circumstances that may create the need for a cost transfer, the conditions necessary for a cost transfer adjustment and the process that needs to be followed to make any adjustments in the General Ledger, subledgers or Project Module in Oracle Financials Cloud.

This policy provides direction to principal investigators, department administrators, project managers, Chairs and Deans in conformance with government cost transfer regulations and policies. In all cases, cost transfers will be prepared and approved by department personnel in accordance with this policy. Failure to adhere to the requirements of this policy are subject to disciplinary action up to and including termination.

#### DEFINITIONS

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A cost transfer is the movement of expenditures from one fund or project to another fund or project, or to correct any other chart segment. There are specific requirements mandated by award sponsors that must be met by the University to move expenses to a federally sponsored award.

Certain cost transfers are defined as high risk transactions requiring additional review and approval before any action is taken on them. The following are attributes of high risk transactions

- a. The original transaction date occurred when the project, task, or award was inactive in Oracle's Project Module.
- b. The original transaction date occurred three or more months ago.
- c. The cost was previously transferred and/or the transfer was generated by UC San Diego's Resource & Cost Transfer Application (RACTA).
- d. Any transfer that would put a project in overdraft. (Sponsored Research Projects only).
- e. The account on the transferred cost is different than the original account.

Cost transfers of any type can raise questions about their propriety and the effectiveness of the university's internal controls.

Frequent cost transfers, including those that are not timely or fully justified, pose a significant audit risk to the University, especially if they have the appearance of attempting to mask overruns or consume

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unexpended balances. As such, they can put the University's reputation for effective governance of resources, including sponsored awards, at risk with potential impacts on future access to resources.

The University should at all times seek to avoid the need for cost transfers including knowingly assigning costs temporarily as a placeholder pending final accounting. Generally, costs shall be charged directly to the account to which they pertain. However, there are times when cost transfers are unavoidable and necessary.

### Cost Transfers

#### Examples of cost transfers:

- Correct erroneous recording, such as when original source documents cited incorrect chart or POET(AF) information in Oracle's Project Module.
- Record a change in the decisions made originally as to the use of goods or services.
- Redistribution of recharged costs within a department. For example, further distribution to projects.
- Redistribution of payroll costs based on the after-the-fact verification of effort reported through the campus effort reporting system used to certify individual effort on federal contracts and grants.

*Note: UC San Diego is obligated to correct unallowable charges made to federally sponsored awards, once identified in a timely manner, regardless of time frame.*

## POLICY STATEMENT

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Timely and accurate accounting is critical to the efficacy of the university's financial data. Frequent or late movement of costs can indicate weak internal controls or inattention to the effective management of resources. As such, the university requires prompt attention to all financial transactions to ensure they reflect accurate accounting of all costs and if necessary fully justify, with appropriate oversight and approvals, any costs that may have to be transferred.

## REQUIREMENTS

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1. Transfer of recorded costs must be identified and processed expeditiously. Transfers of cost TO federal funds require additional consideration as outlined below and in the NIH Policy Statement on cost transfers and in the OMB 2CFR200 (Uniform Guidance).
2. Must relate to individual items of expenditure incurred by the unit requesting the adjustment.
3. Must contain a reference to the invoice, payroll, or other disbursement documents which initiated the original direct charge
4. In total, must equal the same amount originally recorded in the University general ledger. If transferring a portion of the original expense, the request must contain an explanation supporting a reasonable and equitable method of allocation.
5. It must be fully explained, justified and approved by the Financial Unit administrator(s) involved in the transaction.
  - a. NOTE: An explanation which merely states that the adjustment being made is "to correct an error," "to transfer to correct project," or "expenditure inadvertently charged to incorrect account/fund" is not sufficient.
6. In the case of adjustments which involve Federal grants and contracts, the certification and approval signatures must include that of the principal investigator, department head, or other academic official.
7. Must be requested via the appropriate process, currently through the Resource And Cost Transfer Application (RACTA).

EXCEPTION: Expenditure adjustments/transfers for University Extension concurrent courses are exempted from the procedures set forth in this section. Refer to Accounting Manual Chapter U-538-23, University Extension Concurrent Courses.

## **RESPONSIBILITIES**

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All corrections, regardless of funding source, are subject to this cost transfer policy.

Additional justification requirements are applicable for federal grants, contracts, cooperative agreements, etc. This includes any subcontracts awarded to UC San Diego or its agents from other entities (universities, local governments, research institutions, state governments) that are funded by federal agencies. These subcontracts are subject to the same regulations as those applied to direct awards to UC San Diego. Any questions concerning the applicability of this policy for sponsored research should be promptly directed to the Office of Post Award Financial Services within the Office of Business and Financial Services.

Any question concerning the applicability of this policy for gifts should be directed to Gift and Foundation Accounting within Advancement Services. Questions concerning all other funding sources should be directed to General Accounting with the Office of Business and Financial Services.

## **PROCEDURES**

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The University is subject to the cost transfer policies and regulations of various government agencies, including, but not limited to Governmental Accounting Standards Board (GASB), University of California Office of the President (UCOP), Office of Management and Budget (OMB), National Institute of Health (NIH), etc. These policies normally include specific requirements for written documentation including time limitations to complete cost transfers. Some agencies have prohibitions against cost transfers covering project deficits.

Users will log into the Resource and Cost Transfer Application (RACTA), to identify costs to be transferred, and supply the new chart or POET(AF) information. The transfer will route to the department for approval, and if high risk, to a central office for final review and approval.

## **SPECIAL CONSIDERATIONS – SPONSORED RESEARCH**

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The appropriate allocation of direct and indirect costs should be made with consideration of procedures as published on Blink at: <https://blink.ucsd.edu/finance/awards/compliance/decision.html>

### **Consequences of Cost Transfers that do not meet Government Requirements**

As a condition of awards to the University and as required by federal regulations, the University retains external auditors to conduct regular and intensive reviews of federal award expenditures including the propriety of cost transfers. In the event that a cost transfer is not in compliance with government requirements, the full dollar amount of the transfer will be disallowed and the owning organization for the award or project will be required to reimburse the award for the full amount of the disallowed cost transfer.

### **Cost transfers**

Cost transfers should be prepared as soon as the need is identified. Cost transfer requests for salary and non-salary charges should be submitted for review to the Office of Post Award Financial Services (OPAFS). The request must include the appropriate certification and be approved by the award's principal investigator or designee and routed through the required approvals within the department, school or college. The request must contain certain basic information relating to the costs to be transferred, as described below. No payroll changes or accounting within any part of the University's financial system will occur until all approvals have been granted.

### **Cost transfer Time Period**

All cost transfers should be recorded in a timely fashion and ideally within 90 days of the original charge or initially-recorded charge. The 90-day time period begins after the month end close of the accounting

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period that the original or initially-recorded charge is posted to the general ledger, subledgers or Project module in Oracle Cloud Financials.

This 90-day standard is mandated by federal agencies and their auditors to determine whether costs are appropriately charged to their awards. As a standard established in federal regulations and grant policies, the University requires all transactions in federally funded awards and projects to be reviewed and confirmed in timely manner (monthly) in order to minimize the need for cost transfers. Timely review and confirmation of expenses to these awards should make any cost transfer request an extenuating and unusual circumstance. Therefore, any cost transfer requests will be reviewed by OPAFS with close scrutiny to determine whether an adequate and documented reconciliation and confirmation of expenses took place within the accounting period by the department and then ascertain the circumstances of why adjustments are now required prior to review for possible approval of the cost transfer. The federal agency may also require a recipient to take corrective action by imposing additional terms and conditions on an award(s).

### Cost Transfer Requirements

All salary or non-salary cost transfer requests require documented justification and certification. The justification criteria are as follows:

- The reason(s) why the expenses were not properly charged to the award or project they are now being moved to?
- Support for the charges being transferred to the award or project now. What are the benefits to the award or project these charges are being moved to?
- If the transaction is over 90 days for NIH and 120 days for all other funds from the date the expense originally posted to the ledger, address the untimeliness.
- Support for the charges being allowable and allocable to the award or project receiving them.
- What corrective actions have been adopted to prevent future occurrences of cost transfers similar to this? Consider actions such as enhanced management oversight, training, and timely review of expenses.

Salary or non-salary cost transfers requested after 90 days are considered delinquent. Justification for cost transfers after 90 days require more intense review and much stronger rationale to support any approvals. In general, cost transfers after 90 days will not be approved to a federally sponsored award unless there are significant and extenuating circumstances to justify the lengthened delay. Requests after 90 days will be reviewed with extreme scrutiny and will need stronger justification and will require higher level approvals. If the request is not adequately supported for these extenuating circumstances, the expenses will need to be transferred to an unrestricted or non-sponsored fund source. The justification for the delinquent (post 90 day) cost transfer request must address the same justification criteria listed above and in addition be supported with a thorough explanation around the causes for the delay in detection and request for the cost transfer.

### Reasons for Return or Non-approval of Cost Transfer Requests

Cost transfer requests will be returned to the Department if:

- The justification does not adequately support the cost transfer being requested.
- The documentation to support the cost transfer is missing.
- The costs being transferred were incurred outside the effective dates of the federally sponsored award.
- The cost transfer is to move a deficit from one federally sponsored grant or contract to another.
- The sole purpose of the transfer is to “use up” unspent funds from a federally sponsored grant or contract
- The certification statement is not signed with a handwritten signature or electronically signed and approved by the appropriate and authorized person(s).
- The cost transfer has previously been moved from one award/grant/contract and the justification does not indicate the purpose for the duplicate movement of cost transfer.

### **Cost Transfer Certification Statement**

All cost transfer requests for salary or non-salary expenses must include the following certification statement:

*"I certify that the cost transferred is an appropriate expenditure for the sponsored grant or contract charged and that the expenditure complies with the terms and restrictions governing the applicable sponsored grant or contract."*

The certification statement is part of the request form. It must be signed (handwritten or electronically signed) by the department head or School Dean or their properly designated deputy before the cost transfer can be posted in the University's financial system in Oracle Financials Cloud.

The Department making the request must maintain all documentation of cost transfers including the request and subsequent approvals, pursuant to 45 CFR 75.364, and must make it available for audit or other review ([see Administrative Requirements-Monitoring-Record Retention and Access](#))

### **FORMS**

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None

### **RELATED INFORMATION**

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[2 CFR Part 200- Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards, section 200.405 Allocable Costs](#)  
[BFB A-47: Direct Costing Procedures](#)  
[Research Policy Analysis and Coordination Chapter 7-400](#)

### **FREQUENTLY ASKED QUESTIONS (FAQ'S)**

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None

### **REVISION HISTORY**

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