

# **FIRST UIC ADMINISTRATIVE STAFF LEADERSHIP CONFERENCE**

**Striving for Excellence**

**March 8<sup>th</sup> & 9<sup>th</sup>, 2007**

**Workshop Session: 4 D**

**How To Manage Cost Transfers**

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# *Objectives/Learning Outcomes*

To provide an overview of compliance and administrative requirements for cost transfers and how to avoid having to process cost transfers to meet sponsor guidelines. This session will also briefly cover the types of cost transfers, timing requirements and implications, and documentation to be maintained by the department.

# ***Presentation Outline***

- **Compliance and Administrative Requirements**
- **Definition of Cost Transfers**
- **Cost Transfer Principles/Expectations**
- **Examples of Cost Transfer Actions**
- **Anticipation Grant and Fund Codes**
- **Expenditure Review and Management**
- **Allowable and Appropriate Cost Transfers**
- **Unallowable Cost Transfers**
- **Types of Cost Transfers**
  - **Current requirements and justification**
  - **Non-Current requirements and justification**
  - **Approval Justification Requirements**
- **Unacceptable Language/Justification**
- **FYI/Q&A**

# Compliance & Administration

Proper administration and approval of cost transfers are required to ensure the University's compliance with federal requirements as defined by the United States Office of Management and Budget (OMB) and described in Section 16.4.1 “Unallowable Costs under OMB Circular A-21” in the Business Policies and Procedures Manual.

[www.obfs.uillinois.edu/manual/Chicago/se16-4-1.html](http://www.obfs.uillinois.edu/manual/Chicago/se16-4-1.html), and with related University policies.

# Compliance & Administration

## Cost transfers to or from sponsored projects should be:

- Initiated promptly, after recognition of posting to incorrect Fund (C-FOAP).
- Supported by documentation justifying the transfer.
- Approved by P.I. or responsible official for non-current transfers.

# Definition of Cost Transfer

A reallocation or redistribution of a previously charged expenditure to another Fund (C-FOAP) is defined as a cost transfer.

Sponsored project cost transfers include payroll and non-payroll reallocations and redistributions.

# ***Cost Transfer***

## ***Principles/Expectations***

Cost transfers must be completed in accordance with University policy and OBM Circular A-21 cost principles.

- **Allowable**
- **Reasonable**
- **Applicable**
- **Allocable**
- **Timely**

Non-current transfers should be kept to a minimum. They raise concerns with internal controls and management capabilities.

# Examples: Actions Requiring Cost Transfers

- Correct clerical errors such as transposition of C-FOAP numbers, incorrect amounts, typing or data entry errors
- Use of wrong fund, organization or program code
- Transfer costs applicable to a new/renewal grant or contract, or approved pre-award costs, from departmental funds
- Reallocate effort to reflect actual time spent on project



# Examples: Actions Requiring Cost Transfers

- Reallocate shared services (telephone, photocopying costs, etc. charged to a non-sponsored project fund)
- Expenses on related projects
- Remove overdraft to a departmental unrestricted C-FOAP
- Transfer unallowable or non-allocable expenses

# Anticipation Grant & Fund Codes

The use of Anticipation Grant and Fund Codes are viewed as **best practice** and can minimize the volume of cost transfers required. Anticipation funds may be established prior to receipt of a fully executed contract or grant award notification.

A Proposal Approval Form (PAF) must be submitted to the Office of Research Services (ORS) and an Institution Number must exist in the UIeRA (electronic research administration) database before sending the request to Grants and Contracts Office .

The link for *Request to Establish an Anticipation Grant/Fund* form is located at:

[www.obfs.uillinois.edu/forms/ReqAnticipationAcct.doc](http://www.obfs.uillinois.edu/forms/ReqAnticipationAcct.doc)

# Expenditure Review & Management

The Principal Investigators or their delegate officials should:

- Retrieve and review monthly grant/fund statements
- Verify that posted charges are allowable and proper
- Identify any additions or deletions
- Initiate prompt transfers for errors/corrections

# Allowable and Appropriate Cost Transfers

- Transfers between projects where the work is closely related but is supported by more than one C-FOAP
- Transfers for expenses incurred before the project start date only if pre-award costs are approved by the sponsor.
- Transfers prior to final or interim financial reports being submitted to the sponsor for the period covered by the transfer.
- Transfers due to a clerical or data processing error.
- University self-supporting service unit's billing in the form of chargebacks, e.g. telephone, publications and photocopying, etc.

# Unallowable Cost Transfers

- Transfers from one budget or project period to the next solely to avoid overdrafts.
- Transfers from any C-FOAP in overdraft status for the sole purpose of eliminating overdraft.
- Transfers to a project having unexpended balance for the purpose of expending the remaining balance.
- Transfers where the sponsored project C-FOAP was being used as a “holding” fund to redistribute expenses to other fund codes.
- Transfers for expenses incurred before the project start date if pre-award costs have not been approved by the sponsor.



# Unallowable Cost Transfers (cont)

- Transfers involving prior fiscal year state appropriation funds under any circumstances.
- Transfers where the account code is being changed, unless the transfer is to correct an expense originally posted to an incorrect account code.
- Transfers where the program code is being changed, unless the transfer is to correct an expense originally posted to an incorrect program code.
- Transfers out of Medical Services Plan (MSP) Variable Compensation (E class) payments into Grant C-FOAPs **under any circumstances**.
- Transfers out of lump sum or “E-classification” salary payments into Grant C-FOAPs for faculty under Fund type 4S, 4U or 4W, unless meeting the requirements as defined in OMB Circular A-21 whereby the consultation is across department lines or in a separate/remote location, the work performed is in addition to regular departmental load, and the payment is specified in the proposal or approved in writing by the sponsoring agency.

# Types of Cost Transfers

- Non-Personnel Expenses
  - Current
  - Non-current
- Personnel Expenses
  - Current
  - Non-current

*All cost transfers must meet the minimum requirements listed under each category in order to be approved. Cost transfers submitted without the minimum required notations and/or documentation will be returned to the originator with a message indicating reason for disapproval.*

# Current Cost Transfers – Minimal Requirements

**Definition** - Transfer of expenditures incurred within 90 days of period of service, or within 90 days of initial posting to the incorrect Banner C-FOAP

## Non-Personnel JV Text Must Include:

- Reason for incorrect posting
- Item date & document No.
- Date service provided
- Preparer's name & Tel No.

OGC – approval queue review

## Personnel Support Document (filed in dept):

- Reason for redistribution
- Supporting Appointment form
- Staff UIN & pay period code
- Preparer's name & date

OGC – post audit review



# Non-Current Cost Transfers

## Minimal Requirements

**Definition** - Transfer of expenditures or services which were incurred but not corrected within 90 days of initial posting or period of service.

### **Non-Personnel** **JV Text Must Include:**

- Reason for incorrect posting
- Item date & document No.
- Date service provided
- Preparer's name & Tel No.
- Reason correction past 90 days
- Certify completion GC-81

OGC – approval queue review

### **Personnel** **Support Document (filed in dept):**

- Reason for redistribution
- Supporting Appointment form
- Staff UIN & pay period code
- Completed GC-81
- Preparer's name & date

OGC – post audit review

# Unacceptable Language/Justification

The following types of commonly used JV FOATEXT explanations are not acceptable and will result in disapproval and return for correction or more detail.

- Transfer expense to correct fund
- Transfer expense to remove overdraft
- Transfer expenses to correct rogue FOAPAL when debit and credit fund is different
- Transfer expenses per grant or contract agreement

# ***FYI & Q&A***

- All Non-Personnel cost transfers are routed electronically to Grants and Contracts for review and approval.
- Cost transfers containing inefficient text justification are disapproved and returned to person initiating JV.
- Person initiating JV will receive message indicating reason JV was disapproved.
- JV should be corrected and resubmitted for approval.
- Labor redistributions are subject to a periodic post audit for compliance