

Non-Salary Cost Transfers Involving Sponsored Projects Policy

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AUBURN
UNIVERSITY

Non-Salary Cost Transfers Involving Sponsored Projects Policy

Effective:	10/1/2016 (original)
Responsible Executive:	Senior Vice President for Business and Administration & CFO
Applicability:	Principal Investigators and his/her responsible departments as well as Contracts and Grants Accounting.
Review By:	--

I. Policy Statement

The purpose of this policy is to define non-salary cost transfers involving sponsored projects; the circumstances under which cost transfers may be approved; and how Auburn University demonstrates compliance with federal, Auburn University, and sponsor requirements.

II. Policy Principles

It is extremely important that all expenditures be initially charged to the correct FOAP. 2 CFR, Part 200 (commonly referred to as Uniform Guidance) indicates that costs allocable to a particular federal award may not be charged to other federal awards to cover over-expenditures or avoid restrictions imposed by federal statutes or award terms and conditions.

Transfers that are frequent, not submitted in a timely manner, inadequately explained or documented, are being done at or near the end of the award period, or are for previously certified or approved expenditures - particularly on projects with overruns or unexpended balances - raise questions about the appropriateness of the transfers and the reliability of the university's accounting system and internal controls.

Under no circumstances may expenditures be placed onto a sponsored fund for reasons of convenience or funding availability with the intention that they will be moved to the proper FOAP (FOAP/sponsored project that benefited from the expense) at a later date. Such "parking" of costs violates the costing guidelines and is strictly prohibited. For this reason, the project director and others involved in administering awards should seek to ensure that expenditures are always recorded correctly.

In the event non-salary cost transfers become necessary, the general deadline for processing such transfers TO sponsored FOAPs is no later than **90 days after expenditure was incurred**. The 90 day time period begins at the end of the month in which the expenditure was recorded in Banner and runs until the eJournal Voucher DEC is in the Contracts and Grants Accounting queue.

Non-salary cost transfers TO sponsored FOAPs after this period are generally not allowed, but may be permitted under extenuating circumstances.

Non-salary cost transfers FROM sponsored FOAPs to unrestricted FOAPs will be processed regardless of when the expenditure was incurred, as Auburn is obligated to correct unallowable charges to sponsored projects once identified.

All cost transfers involving sponsored FOAPs or cost share FOAPS are to be approved by Contracts and Grants Accounting.

III. Effective Date

10/1/2016

IV. Applicability

This policy applies to Principal Investigators and his/her responsible departments as well as Contracts and Grants Accounting.

Principal Investigators (PIs) and their responsible department:

- Ensure expenditures are recorded correctly the first time and all expenditures are:
 - **Necessary** and **reasonable** for the performance of the sponsored award and **allocable** thereto under these principles.
 - Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
 - Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
 - Accorded consistent treatment in that for the same purpose in like circumstances has been as a direct cost or as an indirect cost.
 - In accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
 - Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
 - Adequately documented.
(Source: 2 CFR, Part 200)
- Review financial reports monthly to facilitate timely discovery and correction of errors.
- Provide an adequate explanation of how the error occurred and how the project receiving the transfer was determined to be the correct one. Explanations such as "to correct error" or "to transfer to correct project" are insufficient.
- Prepare eJournal Voucher (eJV) in Self Service Banner with the Rule DEC, attach all supporting documentation, and submit them to Contracts and Grants Accounting for review.

Contracts and Grants Accounting:

- Review and approve or disapprove all cost transfers involving sponsored projects.
- Review the justification for cost transfers over 90 days old and determine appropriateness of the transfers.

V. Definitions

2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Cost transfer - movement or transfer of an expenditure from one funding source to another.

FOAP is the Fund, Organization, Account, and Program code used to record financial transactions in Banner.

Non-salary transfers - this type of transfer is used most frequently when a sponsored FOAP needs to be cleared of disallowed costs, over-expenditures, or late charges. These costs cannot be shifted to other sponsored agreements under the circumstances noted above.

VI. Policy Procedures

Contract/grant expenditures are not to be intentionally charged to other contract/grant FOAPs as a temporary measure. A separate contract/grant FOAP (and cost sharing FOAP, if appropriate) should be obtained before any contract/grant expenditures are incurred. Contact Contracts and Grants Accounting with questions on expenditures incurred without a signed award.

Procedures:

1. An eJournal Voucher in Self Service Banner with the Rule DEC is to be completed by the responsible department and submitted to Contracts and Grants Accounting queue. Additional approvals at the department and/or college level may be required.

If no contract/grant FOAP is involved, the eJournal Voucher should be routed to Financial Reporting.

2. If transferring **TO** a contract fund, answer all three questions on the eJournal Voucher completely. The information requested is necessary to justify the transfer as required by federal regulations. The questions are as follows:
 - a. Why the expense was not originally charged to the fund to which it is being transferred? Please explain fully. (An explanation that merely states that the transfer is "to correct an error" or "to transfer to correct project" or "expenditure inadvertently charged to incorrect fund" is insufficient.)
 - b. What is the benefit to the fund being charged? Describe how this charge is a proper and allowable cost to the sponsored project. (An explanation that merely states "the expense will now be on the correct fund" is insufficient.)
 - c. What action is being taken to prevent the necessity for this type of transfer in the future? **(This includes an expectation that legitimate steps are being taken to implement the corrective action, once identified.)**
3. Remember to attach a complete copy of the document (voucher, etc.) requiring correction(s) with all backup pertaining to the expenditure being transferred.
4. Additional instructions and information can be found in the Department Error Correction Policy or within the Self Service eJournal Voucher system.

VII. Sanctions

Under circumstances where expenditures are intentionally parked onto one sponsored project with the intention of transferring at a later date, or where the sole purpose of the transfer is to move the deficit from one sponsored project to another or to exhaust unexpended balances, those transfers may be disallowed after a review by Contracts & Grants Accounting.

Incomplete or insufficient non-salary cost transfer documents (eJVs) will be returned to the preparer.

Contracts & Grants Accounting may disapprove cost transfer documents where it has been determined that excessive transfers are occurring and corrective actions provided as part of the cost transfer justification are not being implemented.

VIII. Exclusions

This policy applies to all sponsored agreements. Any exceptions shall be reviewed by the offices of the Senior Vice President for Business and Administration & CFO, Director of Contracts and Grants Accounting, or other designee and

may be granted on a case-by-case basis.

IX. Interpretation

The offices of the Senior Vice President for Business and Administration & CFO, Director of Contracts and Grants Accounting, or other designee will determine appropriate application for each contract, grant or cooperative agreement involved.