



University of Pittsburgh

FINANCIAL GUIDELINE

Subject: Cost Transfers

I. Guideline Background

A cost transfer is an accounting entry that transfers costs between accounts to correct an accounting or clerical error in the original entry. A proper system of internal financial accounting control with respect to cost transfers dictates that such accounting entries be properly documented, explained and appropriate under the circumstances. In addition, Federal regulations and Cost Accounting Standards require that such transfers be treated consistently across all University funding sources.

II. Scope

This guideline establishes the requirements for recording cost transfers on the financial accounting records of the University in accordance with a proper system of internal financial accounting control and Federal regulations. The guideline also establishes the responsibility of the Principal Investigator (PI) to ensure the accuracy and integrity of the cost transfers made to or from their sponsored project accounts. In addition, the Departmental Administrator is responsible to ensure the accuracy and integrity of the cost transfers made to or from departmental funds. The University's cost transfer guideline applies to all faculty and staff who record cost transfers on the accounting records of the University. It also applies to all sources of University funding including unrestricted, restricted, endowment, and plant funds.

III. Guideline

An appropriate cost transfer is made when the charge qualifies as a bona fide cost of the sponsored project or indirect activity being charged. Typically, cost transfers are appropriate when their purpose is to:

- correct an accounting or clerical error in the original charge
- reallocate resources between accounts for reasons other than covering an over or under expenditure of budgeted costs
- transfer pre-award costs in the limited circumstances under which some sponsors will accept such costs according to the provisions of OMB Circular A-110 Section C. 25.



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III. Guideline (con't)

- to transfer expenditures held in a departmental expense account until the final accounting is determined
- to retroactively adjust salary costs between projects to reflect an individual's actual effort on the projects

All individuals who record cost transfers on the accounting records of the University must ensure that such entries:

- are approved by someone with financial or administrative responsibility other than the preparer and having direct knowledge of the transfer being made
- are fully documented and explained, with documentation maintained and available for audit
- are accomplished within 90 days of the end of the month in which the error or omission occurred
 - include a thorough explanation and justification for any transaction older than 90 days from the end of the month in which the original error or omission occurred. A request for a cost transfer beyond 90 days will be denied unless it meets one of the exceptions below:
 1. Removal from a sponsored project of an inappropriate or expressly unallowable charge regardless of lapsed time
 2. Removal of charges disallowed by audit or sponsor
 3. Reallocation affects only some combination of master and sub-accounts within the same award with all accounts involved open and active
 4. An early account number request was not approved. Evidence is required that early account request had been submitted
 5. Adjustments necessary on training awards to align payments to trainees with federally mandated stipend rates
 6. Reallocation affects only some combination of non-research accounts and does not cross fiscal years if entity 02 (operating)



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III. Guideline (con't)

- represent costs identifiable, chargeable or assignable to the sponsored project, department or other institutional activity
- represent costs resulting from obligations incurred during the award funding period for sponsored projects and during the accounting and budget period for financial reporting purposes
- do not represent costs transferred from overrun sponsored projects to sponsored projects having unexpended funds
- do not represent costs shifted to Federally sponsored projects that are identifiable, chargeable or assignable to non-Federally sponsored projects or department or other institutional activity
- are recorded in a timely manner to facilitate proper financial reporting and to facilitate submission of financial, performance and other reporting required by sponsored programs within 90 days of the date of completion of the award

Cost transfers must be made as timely as possible after the original transaction, but in any case, not later than 90 days after the end of the month in which the error or omission occurred. Transfers made after 90 days raise serious questions as to the validity of the transfer. Any transfer that deviates from this guideline is noncompliant with federal regulations and is strongly discouraged. Internal Audit will perform future testing to ensure compliance.

Frequent errors in the recording of costs and a lack of timeliness of review of sponsored accounts is indicative of the need for improvements in the department's financial accounting systems and internal control procedures. Accordingly, where such a history of errors is identified, an evaluation of the adequacy of such systems and controls will be performed. In addition and on a test basis, The Office of the Controller will perform periodic reviews of transactions to ensure compliance with this guideline.



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IV. Definitions

Cost Transfer - A cost transfer is an accounting entry that transfers costs to or from a research or departmental account.

Departmental/Research Administrator – The individual designated by the department or Principal Investigator who is responsible for the financial accounting, budgeting and administration of the department's sponsored awards.

Principal Investigator – The individual designated by the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity. At the discretion of the Dean, a principal investigator for sponsored programs is typically a tenured or tenured stream faculty but can also include other members of the academic community such as research associates or non-tenure stream research/clinical faculty.

V. References

OMB Circular A-21 C. 4.
OMB Circular A-110 C. 25 and SUBPART D. 71
NIH and PHS Grants Policy Statement