

# Guidelines for Accounting Transfers

## Background

Proper management of funds and understanding fiscal and accounting terminologies is essential to upholding the fiduciary responsibilities of the University. Following are guidelines to assist in understanding the differences between fund transfers, reclassifications and budget transfers. Understanding the differences and how to handle each transaction are important in reporting accurate information.

## Scope of these Guidelines

Generally, there are three reasons transfers are necessary:

- 1) To transfer or reclassify an expense that does not belong in the FOAPAL currently used-Submit to Finance
- 2) To charge another department or project for a service, supply or other allocable amount- as interdepartmental charge- submit to Finance
- 3) Budget transfers- needed updates to the permanent budget due to changes in funding expectations, strategic priorities, and personnel changes.-Submit to the Budget Office for processing.

The criteria and procedures should be understood by all persons having financial responsibilities relating to fiscal management of a budget or project. Careful consideration of necessity and propriety must be undertaken, especially when considering transferring costs to a sponsored project. The provisions of OMB Circular A-21 specifically permit some cost transfers while other cost transfers are definitely improper and unallowable. For additional information regarding sponsored project transfers please contact the Sponsored Programs and Contracts Management.

## General Considerations

Once an entry has been recorded in the general ledger, transfers may be made only in the following situations:

- a. To correct an erroneous recording when the original source document or subsequent interim transaction (e.g. invoice, check, journal, etc.) contained an incorrect FOAPAL string or amount.
- b. To distribute / allocate certain high numerical, but small individual charges, such as copy machine costs, mailing charges, telephone charges, office supplies, or fax charges billed to a central department, but may be proportionally applied to other activities, projects or funds under the jurisdiction of the department.
- c. To record a change in use of goods or services, for example a case of beakers originally ordered for and charged to a teaching program, but subsequently required by and transferred to, a research project.
- d. The transfer must relate to a specific item of cost incurred by the department preparing the adjustment. The quantity and goods or services must be specified.
- e. Each transfer must be in proportion to the benefits received from the goods and services.
- f. Transfers must be in the same amount as the original charge unless a portion of the expense is to be transferred. If only a portion is transferred, a clear explanation needs to be given as to the basis for the division of the cost.
- g. All expenditures must be in compliance with University policies and the requirements of the funding source.
- h. Generally, the same account number should be used when requesting an expense transfer. The only part of the FOAPAL that may be different is the fund, organization and program numbers.
- i. All adjustments should be made within 90 days from the original charge posted to the ledger. Accurate and timely reporting of expenditures impact the production of financial reports and invoices in meeting campus and funding agency requirements. If because of unavoidable circumstances the adjustment is made after 90 days, a written explanation of the late adjustment must be documented.

## **Transfers**

Interdepartmental transfers take place when there is a charge by one department or project to another department or project. Examples included would be:

- a. Standardized patients paid for by COMP but charged to various colleges
- b. Telephones paid for by Tele-communications charged to a department
- c. Services directly provided by one department benefiting another department
- d. Poster printing

## **Split-Funded Expense**

A particular expense may have direct benefit to more than one activity, .i.e.,the expense may benefit more than one institutional activity. If a cost is shared, each department should be charged the expense proportionally.

**For Restricted Funds to Unrestricted Funds:** Funds are recorded as restricted because of spending restrictions imposed by a donor or source from outside the University. For this reason, funds initially recorded as restricted should be spent in the restricted fund in which they are intended. However, in some instances, the restriction may be minimal and only require that the funds be used in a particular program, department or college with no accounting or reporting back to the donor required. For funds with such loose restrictions, a transfer to an unrestricted account may be allowable with appropriate documentation.

For such a transfer from restricted to unrestricted funds, a memo or email must be submitted to the University Financial Services and Treasury. This communication should contain the following:

- the name of the restricted fund,
- the fund/organization codes,
- the restrictions that are associated with this fund,
- the reason for the transfer of the money, and
- the reason why it does not violate donor wishes.

**For Restricted Funds to Restricted Funds:** In some instances, transfers between two restricted funds are allowable, again if the restrictions of both funds are not violated by such a transfer and if no donor reporting is required by either fund. The process outlined above should be submitted and the transfer will be evaluated and approved on a case-by-case basis.

**For Unrestricted Funds to Restricted Funds:** Because funds should only be classified as restricted by an outside source, no transfers will be allowed from unrestricted to restricted funds.

**For Unrestricted Operating Funds to Other Funds:** Generally operating funds are budgeted from annual allotments and are to be used by the department to manage their annual operations. With few exceptions, no transfers from the operating budget (fund 1100) are allowed to be transferred to other funds.

**Generally fund numbers that begin with 2xxxx have restrictions; unrestricted designated funds begin with 12xxx.**