

# Guidelines for Transferring Funds

## Background

Proper management of funds and understanding terminologies is essential to upholding the fiduciary responsibilities of the University. Following are guidelines in understanding the differences between Cash 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
- 2) To charge another department or project for a service, supply or other allocable amount
- 3) To reallocate a department's budget

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. Both "proper" and "improper" cost transfers are discussed in greater detail below. 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. The methodology adopted to prepare any allocations as discussed in section above, must be in accordance with the regulations, i.e. reasonable, allowable, allocable and consistent. They must not include a departmental surcharge. The department should maintain a methodology statement to support their allocation process. In addition the department must maintain the appropriate records and usage logs to substantiate all charges redistributed.

- i. Generally the same account number should be used when requesting a cash transfer. The only part of the FOAPAL that may be different is the fund, organization and program numbers.
- j. All adjustments should be made within 60 days from the original charge posted to the ledger. Accurate and timely reporting of expenditures impacts the production of financial reports and invoices in meeting campus and funding agency requirements. If because of unavoidable circumstances the adjustment is made after 60 days, a written explanation of the late adjustment must be documented.

## **Cash Transfers**

Cash transfers, or cost 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
- e. Splitting the cost of an item.

Generally, A-21 recognizes the need to make a cost transfer involving a sponsored project in the following instances:

- When the transfer represents an adjustment for an erroneous charge.
- When the transfer represents a reclassification of expense from another department.
- When the transfer is for the purpose of assigning a portion of the cost to a sponsored project (split purchase).

## **Improper Cash Transfers**

OMB Circular A-21 (Cost Principles for Educational Institutions), Section C.4.b states: "Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience."

This regulation (A-21) specifically describes transactions that would be improper cost transfers for federal and state sponsored agreements. While it is not appropriate to transfer improper costs as specifically described in the regulation between sponsored projects, it may be possible to request a cash transfer from a sponsored project to another budget entity. Further discussion of this topic appears herein under the heading of "proper" cash transfers.

The following examples illustrate improper or unallowable cash transfers between federal and state sponsored projects:

- When the transfer is for the purpose of utilizing unexpended funds.
- When the transfer is for the purpose of avoiding or alleviating an over expenditure.
- When the transfer is for the purpose of reimbursing a temporary "loan" of funds from another sponsored project.
- When the transfer is for the purpose of moving a cost that is unallowable on one project to another.
- When the transfer is for the purpose of circumventing award restrictions.

Federal agencies and other sponsors may regard the following activities as "Red Flags" for inadequate fiscal or project monitoring:

- Transfers to or between sponsored projects
- Transfers older than 90 days after the original transaction

- Transfers in the last month of the award or after the award has expired
- Large numbers of cost transfers (relating to a particular department or grant)
- Grants or contracts with a zero balance at the end of the award
- Round numbers (may be an indicator of a plugged number)
- Paying summer salary late (i.e., in December)
- Labor distribution adjustments to previously certified effort
- Transfers without a full explanation and/or “similar” explanations
- Transfers among “closely related” projects
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances.

Inappropriate transfers may result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency. Also abuse of cash transfers may result in more severe sanctions, fines, penalties and audit criticisms applied against the University. For additional information, please contact the Sponsored Programs and Contracts Management.

### **Payroll Cash Transfers (Retroactive Distribution of Funding)**

A salary cash transfer means the movement of payroll expenses (salaries and benefits) from one funding source to another. The distribution of salary charges for University personnel should be a reasonable reflection of the employee’s effort. Salary distributions are based on personnel appointments. Careful consideration must be given to personnel allocations to ensure that sponsored projects that benefit from the effort are charged properly at the outset and that adjustments are not required. Therefore, appointments should be reviewed on a regular basis. PI’s and department representatives are responsible for being familiar with the University’s Policy and Procedures and how these requirements may affect personnel appointments.

If appointment changes are anticipated, please submit in accordance with HR’s and Sponsored Programs and Contracts Management deadlines and procedures. In the cases where changes in funding were not anticipated and result in the need to submit a retroactive distribution, the information must be processed **within 60 calendar days from the end of the month in which the error occurred** or **within 30 calendar days of the expiration date** for expired projects.

### **Non-Payroll Cash Transfers**

Non-payroll cash transfers must be process promptly after the error is detected but **in no event later than 90 calendar days from the end of the month in which the error occurred** or **within 30 calendar days of the expiration date** for expired projects.

Examination of the departmental ledger in a timely fashion (at a minimum monthly) by the PI, budget manager or designee will permit early detection of erroneous charges. Cash transfers which represent correction of erroneous charges usually are the result of clerical or bookkeeping errors. An email of all relevant documentation must be attached to support the explanation (e.g., requisitions, purchase orders, explanatory memoranda, etc.) an expense that needs to be reclassified from one FOAPAL to another a Fund Transfer Request Form shall be submitted in order to correct an erroneous charge or an email request that identifies the transaction.

### **Split-Funded Expense**

A particular expense may have direct benefit to more than one activity, e.g., the expense may benefit more than one sponsored project or it may benefit a sponsored project and another institutional activity. If a cost is shared, one department should make the purchase and the other benefiting departments should submit a journal entry to distribute the expense for a single line item purchase to transfer a portion of the cost to the benefiting activities.

A note should be included on the requisition or with an explanatory memoranda stating the intent to transfer a portion of the cost to other budgets and identifying all funding sources.

Copies of all relevant documentation must be attached to support the explanation, e.g., requisitions, purchase orders, explanatory memoranda, etc. Cash transfer requests should be received by shortly after the initial payment, but **in no event later than 90 calendar days from the end of the month in which the error occurred** or **within 30 calendar days of the expiration date** for expired projects.

### **Cash Transfers Received after Receipt Deadlines**

Cash transfer requests received after the deadlines specified above **will be processed only in extenuating circumstances**. Extenuating circumstances **DO NOT** include absences of PI or responsible administrator, nor shortage or lack of experience of staff. It is the responsibility of the department and the PI to ensure the availability of qualified staff to administer and exercise stewardship over federally-funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

The reasons for requesting and submitting a cash transfer after the deadlines specified above must be documented in detail and will require the signature of the principal investigator and the Dean. For sponsored projects, final approval shall be made by Sponsored Programs and Contracts Management. Sponsored Programs and Contracts Management will not approve the transfer unless it is compliant with all applicable rules and regulations.

**NOTE: Any improper cost charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected.** In cases when the error is detected after the limits of this cash transfer policy and there are not extenuating circumstances, the costs can **only** be moved to a non-sponsored account. If Sponsored Programs and Contracts Management becomes aware of an inappropriate charge on a sponsored project, the department will be notified to initiate a transfer to a non-sponsored account. If this transfer is not initiated within five (5) working days from date of Sponsored Programs and Contracts Management notification to the department, Sponsored Programs and Contracts Management will transfer the charge to an appropriate departmental account.

### **Issues Related to Cash Transfers**

The situations detailed below are often encountered in the administration of sponsored projects. The proper treatment of these situations will generally preclude the need for cash transfers. Sponsored Programs and Contracts Management can provide guidance and assistance when these issues arise.

**Advance or Pre-award Costs:** For the effective and economical conduct of a sponsored project it is sometimes necessary for costs to be incurred prior to receipt of the award document and actual funding. In such cases, departments should make arrangements with their colleges Dean in conjunction with Sponsored Programs and Contracts Management.

**Continuation Costs:** If a continuation award is anticipated after the end date of the project, costs may continue to be charged to the current FOAPAL if approved in advance by Sponsored Programs and Contracts Management.

**Close-out of Sponsored Project Cost Centers:** Principal investigators and departmental administrators overseeing sponsored projects should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not allowable, allocable and reasonable. Principal investigators and departmental administrators should review the award agreement and/or contact Sponsored Programs and Contracts Management if they are uncertain about the allowance of a certain expense prior to charging the sponsored project. If unallowable costs have been incurred, they must be removed from the project and charged to an appropriate account following the procedures previously outlined. Generally, costs incurred beyond the project

end date are not allowable. Ongoing corrections of incorrectly charged expenses are highly preferable to adjustments in the last few weeks of the sponsored agreement, although chronic and/or inordinately frequent corrections will be scrutinized.

**Unexpended balances:** It is improper to transfer costs to a sponsored project for the sole purpose of using unexpended sponsored funds. Unexpended sponsored funds must, in many cases, be returned to the sponsor at the close of a project. Exceptions may be fixed price contracts, agreements allowing carry-forward of funds, and agency-approved no-cost extensions. For clarification of the terms of a specific sponsored agreement, contact Sponsored Programs and Contracts Management.

**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.

The memo must be signed by the appropriate Department Head, Dean or approved financial liaison or, if email is used, the email must be initiated by any of these parties. If the approved financial liaison is initiating the email, the appropriate Department Head or Dean responsible for oversight of the restricted funds should be copied. These transfers will then be evaluated on a case-by-case basis.

**Please note that a budget transfer should not be attempted.**

**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.