

Cost Transfer Justification Samples

From the ACT Research Accounting Overview Manual: Every transaction should be adequately supported and explained so that it can “stand alone” if pulled for an audit.

1. Questionable Justification – “To correct fund charged incorrectly due to clerical error.”

Reason – Insufficient explanation of why and how the clerical error occurred. In general, this explanation is only adequate if a transposition error occurred, and this should be stated.

Remedy – Explain the nature of the clerical error.

Acceptable Justification – “The technician who ordered supplies used the fund number of a project which was ended. She has been instructed to use the new number. In the future all supply orders will be reviewed and approved by the department administrator to prevent this occurring again.”

2. Questionable Justification – “To charge appropriate fund.”

Reason – This does not adequately explain why the wrong fund was charged. Why is the new fund being charged more appropriate? How was the transfer amount determined?

Remedy – Explain why the fund being charged is appropriate and how the amount was determined.

Acceptable Justification – “To transfer 100% of Chemistry Storeroom charges for graduate student John Johnson for the month of September, to reflect the fund where the supplies were used and the student’s effort is now being charged. The Chemistry Storeroom has been notified of the change in fund # for this student.”

3. Questionable Justification – “To transfer \$500 of supply costs to the appropriate fund.”

Reason – The amount transferred must be adequately justified as well as the reason for the transfer. Are projects related? Why wasn’t the order charged to the proper fund initially?

Remedy – Explain how the amount was determined and how the expenditure benefits the fund being charged.

Acceptable Justification – “To transfer 50% of the supplies to the PI’s new NIH project. Supplies are to be shared equally between the two related projects that used the supplies

per lab usage records. The new NIH project was awarded two days after the supplies were ordered.

4. Questionable Justification – “To split maintenance charges between related projects.”

Reason – The amount transferred must be adequately justified and reasonable. Also, indicate whether the equipment was used to support the project being charged.

Remedy – Indicate how the amount transferred was determined and why the fund being charged now wasn't charged originally.

Acceptable Justification – “To transfer 50% of the maintenance costs to the PI's NSF project. The equipment is to be used equally between the two related projects. The administrator was not informed by the PI that the equipment was also going to be used for the NSF award.”

4. Questionable Justification – “R12340 ended. Moving expenses to R19870.”

Reason – The costs being transferred at first review will correct an over expenditure on R12340. Transfer of overages from one project to another is not permitted.

Remedy – Further review of the transactions and the award documents reveals that R19870 is the continuation funding of R12340 and the expenses being moved are within the project period of R19870. A fuller explanation of the relationship of the two projects is needed.

Acceptable Justification – “R12340 ended 12/31/06; continuation funding was awarded as a new project (R19870), not an amendment to R12340. This request moves expenses within the project period of R19870 from R12340.”

6. Questionable Justification – “To move \$125.16 of conference travel costs from Dr Smith's start up fund to his DOE fund.”

Reason – With the added F&A costs, the \$125.16 is just enough to close out the DOE fund. The original charge to the start up fund was \$1573.50. A transfer of 7.95% of total costs, which coincidentally closes out a fund, would be difficult to justify under audit.

Remedy – Indicate how the amount transferred was determined and why the fund being charged now wasn't charged originally.

Acceptable Justification – “The PI presented the results of the DOE research at one of the conference sessions. The travel was originally charged to the start up fund because, based on planned expenditures for the DOE fund, there was no funding available. However, some of the estimated costs were less than anticipated so funding is now available.”