Transaction and Cost Corrections Cut-off FAQ

Q. Why is there a transaction cut-off period in place?

As a recipient of US federal funding, the University is responsible for establishing policies and controls that ensure compliance with the requirements of the US Code of Federal Regulations – Uniform Administrative Requirements, Cost Principles and Audit Requirements for US Federal Awards (Uniform Guidance).

The Uniform Guidance exists to ensure that organizations which receive US federal funding are managing, spending and reporting the funds appropriately. To demonstrate this, the University will have an annual compliance audit (Single Audit) completed on the effectiveness of the University's controls as well as a Schedule of Expenditures of Federal Awards (SEFA) for each fiscal year ended March 31st. For the purpose of the controls-based audit, the University is required to have procedures in place to detect accounting errors (ie costs improperly recorded against a project) on a timely basis. As such, the University requires that expenditures are recorded against the appropriate project no later than 90 days after being recorded (incurred) (ie the 90-day cut-off period). The untimely discovery of accounting errors would be reported in the external auditor's Single Audit report as an internal control weakness which could impact the University's ability to secure US federal funding in the future.

Q. What is the University's responsibility?

The University will identify and correct errors in recording expenditures against US federally funded projects in a timely and consistent manner as well as provide proper documentation of any such cost corrections. The University has the responsibility to ensure the controls it has put in place (ie the 90-day cut-off period) are being adhered to as these controls will be subject to audit as part of the annual Single Audit.

To be allocated to a US federally funded project, a cost must be allowable and directly related to that project. Cost corrections based on funding considerations (i.e., unspent funds remaining at the end of the project) are prohibited. In the event an expense is determined not eligible for reallocation into the US federally funded project, the expense must be immediately reallocated to a non-externally restricted (either IRNA or the faculty account) if eligible. If IRNA or the faculty account is not a viable option, the Principal Investigator (PI) would be personally responsible to cover the ineligible expense. This is also part of the Compliance Certificate completed annually by the PI Annual Compliance Form.

Q. What is the role and responsibility of the PI?

PIs take primary responsibility for ensuring compliance with federal regulations as well as the monitoring of expenditures, timely correction of errors, and proper allocation of expenses. For any questions pertaining to the application of the 90-day cut-off period, PIs should contact UService at finance@ucalgary.ca .

Q. What happens if I identify a cost transfer outside of the 90-day cut-off period?

Requests to process cost corrections over 90 calendar days from the date of the original charge will be approved only in extenuating circumstances. These circumstances do not include administrative oversight, staff shortages, PI unavailable, etc. These corrections will be reviewed and decided on a case-by-case basis.

For cost corrections processed more than 90 calendar days from the date of the original charge, the supporting documentation to justify the cost correction will need to be provided for review by Research Accounting.

Supplementary Regulatory References:

The Uniform Guidance states: "Any costs allocable to a particular Federal award… may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons." (2 CFR 200.405(c)).

The Uniform Guidance also requires auditees to: "Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit." (2 CFR 200.508(d)).

In addition, the National Institutes of Health (NIH) Grants Policy Statement states the following:

"Cost transfers to NIH grants by recipients…should be accomplished within 90 days…. Transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the recipient…. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. Transfers of costs from one project to another… solely to cover cost overruns are not allowable."

"Recipients must maintain documentation of cost transfers, pursuant to 2 CFR Part 200.337… and must make it available for audit… The recipient should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, recipients are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. NIH also may require a recipient to take corrective action by imposing additional terms and conditions on an award(s)."

Additional Forms and Resources:

Journal Correction documents

New Project Request Form

Over Expenditure, Over-Commitment, Expired Project Continuation of Spending & New Project Pre-Approval Request Form

Project Accountability and Over-Expenditure Policy