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?

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Supplementary Regulatory References:

The Uniform Guidance states