



Policy 4.6

Responsible
Executive: Doug
Knerr

***COST TRANSFERS
POLICY***

Originally Issued:
December, 18, 2013

Revised:

Effective date:
December, 18, 2013

Policy Statement

A cost transfer is any transfer of an expense involving a sponsored project via a Cost Transfer Explanation Form. Institutions receiving federal funds are potentially subject to audit disallowances without sufficient control and documentation of cost transfers. For a cost transfer, just as for any other expenditure transaction, the federal government is looking for documentation to establish and support that the expenditure is appropriate to the expense account receiving the charge, i.e., that it is generally allowable, reasonably allocable, and directly applicable to the activity represented by the charged account. Not just the nature, but also the timing, of cost transfers is important. For example, federal auditors will often assume that a late transfer of cost into an under expended account from an over expended account has been made simply to cover the over expenditure. Also, frequent errors in the recording of costs may indicate to federal auditors the need for improvements in the departmental/university's controls.

Reason for Policy

Effective July 1, 1990, the government required universities to retain external auditors to conduct extensive reviews of federal grant and contract expenditures to include reviews of cost transfers. In the event that a cost transfer does not meet the government requirements, the dollar amount of the transfer will be disallowed and the College or School responsible for the grant/contract will be responsible for the disallowed cost transfer. If a significant number of cost transfers do not meet government requirements, the auditors may extrapolate the disallowances and recommend disallowing a percentage of ALL cost transfers for a particular department, college/school, or University-wide. According the Cost Principles for Educational Institutions, OMB Circular A-21, C.4(b-c): Any costs allocable to a particular sponsored agreement 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. Any costs allocable to

activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.

Entities Affected by this Policy

This policy applies to all PD seeking to spend grant funds prior to receipt of a sponsor's award notification.

Web Address

To be completed by the President's Chief of Staff.

Related Documents

Cost Transfer Explanation Form

Implementation

ALLOWABLE TYPES OF TRANSFERS

Cost Transfers may sometimes be necessary to:

1. Correct bookkeeping or clerical errors in original charges within 90 days of the error and providing an appropriate explanation of the error (after 90 days, not reviewing the ledger sheet in a timely manner will not be an acceptable explanation);
2. Properly allocate costs to the appropriate accounts using a verifiable and reasonable method in accordance with cost accounting principles; or
3. Transfer charges between accounts supporting closely related work for reasons other than covering over expenditures (This requires sponsor written approval. Refer to "Closely Related Work" section in policy).

TIMING

In all cases, the transfer must be made promptly. This is particularly critical when approaching the end of a budget period; otherwise sponsor reports may be filed that include inappropriate charges. In this context, "promptly" means that the cost transfer should be made no later than 90 days of the original transaction, and in all cases 30 days prior to the date the final report is due to the sponsor. Cost transfer requests less than 90 days and within the budget period but before the date of the Final Report must be signed the PI for approval by Grants Accounting. Requests for cost transfers to be processed between 91 and 120 days must be signed by the principal investigator and must also be signed and approved by the applicable department chair (or other supervising unit). If under some rare circumstance, it should be necessary to make a cost transfer beyond 120 days then RU's Chief Financial Officer's signature will be required in addition to the signatures of the principal investigator and department chair (or supervising unit).

Requests for late cost transfers should include an explanation of the extenuating circumstances which prevented the transaction from being made earlier. The Project Director's signature certifies the expenditure(s) is appropriate for the sponsored project account and that the expenditure(s) complies with the terms and restrictions governing that sponsored project account. The Department Chair (or supervising unit's) signature certifies the expenditure and documentation has been reviewed to ensure compliance with both internal policies and the sponsored project terms and restrictions. The Vice President for Finance's signature certifies the same procedure as the chair/director and understands in the event that a cost transfer is disallowed by an auditor, the College or Unit is responsible for the disallowed cost.

Expenditures made pending receipt of a sponsored grant or contract should never be charged to another sponsored project account in the interim. Instead, a pre-award expenditure account, if allowable should be requested and used for charges incurred in advance of project fund establishment. **Any cost transfer removing an expenditure greater than 90 days old from a federal project must contain the above referenced documentation and signatures, and a completed Cost Transfer Explanation Form.**

DOCUMENTATION

The request for cost transfer must include: 1) Specific identification of the original charge (Copy of document initiating charge must be attached); 2) Justification of the appropriateness of the charge to the receiving account; and 3) A full explanation of why the transfer is necessary. The federal government expects the official documentation for a cost transfer to include a complete explanation of the reason the transfer is being made. The federal Public Health Service (PHS) Grants Policy Statement states that explanations such as "to correct error" or "to transfer to correct account" are not sufficient.

Requests for cost transfers into sponsored project accounts involving personnel cost require special attention. With personnel costs, if the transfer involves previously certified effort, or effort that is to be certified on the semi-annual and annual certification you must coordinate this with the certifying official (Project Director and Effort Manager to assure proper certification of effort. When the personnel costs are not subject to above certifications (hourly employees), the documentation should include an explanation of why the change is being made, certify that the new allocations accurately reflect the effort that the individual expended during the period, and must be documented by time sheets showing the distribution of effort to each account being charged. When transferring salaries and wages, consideration must be taken to also reclassify the associated personnel benefits cost. All personnel cost transfers are to be approved by the project director and effort manager and then processed by payroll.

DISALLOWANCES

The department (or supervising unit), with which the charge is affiliated, is responsible for appropriately funding any cost transfers which are disallowed due to failure to meet the timing or documentation requirements stated above. The department (or supervising unit) will be held financially responsible if any cost transfers are later disallowed on an audit. The following circumstances are considered unallowable:

1. A cost transfer changing an indirect object code (such as office supplies) to a direct object code when the backup documentation refers to an indirect item (such as paper or pencils and pens). If, in an unlikely circumstance exists and the indirect item is allowable on the sponsored project account, the department must contact the appropriate Sponsored Research to request the budgeting of the indirect object code to the account.

4. A cost transfer moving over-expenditures to another sponsored project account at the end of the project.

CLOSELY RELATED WORK

When the work supported by one sponsored project is determined to represent work closely related to that of another sponsored project, a cost transfer from one of the accounts to the other might be legitimately made with prior written approval from the sponsor receiving the charge. At a minimum, the following conditions must be met to justify a cost transfer on the grounds that the activity qualifies as "closely related work":

1. The projects are scientifically and technically related.
2. The projects are under the direction of the same principal investigator or separate principal investigators within the same department.
3. There is no change in the scope of the sponsored projects involved.
4. The relating of costs will not be detrimental to the conduct of work under each award.
5. The relatedness will not be used to circumvent the terms and conditions of the awards.

EXPENSE OBJECT CODES

The term "transfer" is used in this context only because federal regulations use the expression "cost transfer." This does not mean that these entries are recorded on "transfer" object codes within the meaning of college and university accounting principles. Instead, these entries are normally recorded with the debit and credit on the same expense codes used on the original transaction.

GENERAL GUIDELINES

- A cost transfer cannot be processed on a frozen or closed account. A cost transfer with charges more than 120 days old must have appropriate signatures and an explanation of extenuating circumstances which prevented the transaction from being made earlier.
- Charges under this circumstance that are not approved will be moved to a department (or supervising units) account.
- A cost transfer that will overspend an account will not be processed.
- A credit amount (negative charge such as a refund from a vendor) cannot be transferred independent of the associated expense.

- Multiple requests to transfer costs later than 90 days after the original occurrence without an approved explanation of extenuating circumstances will be denied and all charges will be moved to either a department (or supervising unit) account..

GOAL

Any cost transfer should be so complete or detailed, that a person completely removed from the situation (For example, an Auditor) will be able to look at the request five years from now and know what and why this entry was made.

Online Resources and Forms

OMB [Circulars A-21,A-110](#)