

Finance & Operations Policy FO-ORA-02
Cost Transfer Policy

A cost transfer moves charges from one University fund to another. All Principal Investigators (PI) are responsible for ensuring that transfers of costs to sponsored projects are allowable, allocable, and reasonable for the sponsored project and in compliance with sponsor requirements. The Office of Research Administration (ORA) will provide guidance and assistance with compliance requirements according to Uniform Guidance

Costs must be:

- Allowable—this cost is permitted to be charged under the terms and conditions of the sponsored award.
- Allocable—a cost incurred to benefit a particular project or activity in a proportion that can be determined without undue effort or cost, should be allocated to the project based on the proportional benefit.
- Reasonable—costs may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved reflects the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
- Consistent—if an item is charged as a direct cost in one instance, it will be charged similarly in a different instance.
- Costs 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.

Cost transfers are not a method for routine management of funds, to avoid over expending, or to expend money as a result of the project nearing its end. Unallowable or inappropriate charges that appear on a sponsored project fund must be moved in a timely manner to an appropriate fund. Cost transfers must be timely, well-documented, justified and properly approved.

ORA will process all cost transfers identified by the PI, department Staff or ORA staff as soon as the need for a transfer is identified.

This policy applies to all sponsored programs, federal, state, and private, and all cost categories, including payroll costs.

Reviewed by: TSUS – (03/20/2013)
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Next Review: As needed

PROCEDURES TO POLICY FO-ORA-02

1. Cost transfers for all reasonable, allocable and allowable expenditures must be prepared according to the terms and conditions of the contract/agreement for the sponsored project and/or within 90 days after the original charge.
2. Cost transfers directly related to payroll must be redistributed immediately after the finalization of a contract/agreement and/or when an error has been made as to where the payroll should have been charged. Payroll redistributions must take place timely, but no later than 90 days.
3. Any cost transfer submitted after 90 days will require review and approval by the Office of Research Administration and the Controller's Office.
4. Cost transfers will not be used as a method for routine funds management, to avoid over expending, or to expend money as a result of the project nearing its end.
5. Cost transfers must be done immediately when an error has been made to the incorrect Fund, Organizational Number, Account Code, and Program (FOAP).
6. Unallowable or inappropriate charges that appear on a sponsored project will be moved to an appropriate fund promptly.
7. Cost transfers must be supported by complete documentation. Therefore when a cost transfer is necessary the following information is required:
 - a) A detailed justification statement explaining the reason for the cost transfer.
 - b) Documentation that provides evidence of the existence of the expenditure for the award from which the cost is being moved.
 - c) Ensure that the appropriate FOAP is used to transfer costs.

Issues Related to Cost Transfers:

8. For the effective and economical conduct of sponsored projects it may be necessary to interim fund projects prior to the official award. In such cases, the PI should request a pre award authorization to set up the budget. This will allow ORA to set up a grant FOP for the award so that spending can begin. The pre award authorization also guarantees that any expenditure charged to that FOP will be covered by institutional funds if the project is not awarded by the agency. This process should minimize any cost transfers needed due to administrative delays.
9. The PI must receive written approval from the sponsoring agency for all interim funded projects or advanced projects with pre-award costs. A sponsor approved budget will be needed before ORA will assign the project a Grant number and set up the budget in the university's accounting system.
10. In the event an award is not officially finalized by the sponsoring organization as previously anticipated, the PI must assume all responsibility for all costs associated with the project through an alternative funding source.

11. If a continuation award (that is a modification of a current award, i.e. no-cost extension, budget amendment) is anticipated after the end date of the original contract or current contract modification, costs may continue to be charged to the current active grant fund. If the continuation award is denied, these costs must be covered as departmental expense.
12. If a continuation award (in the form of a competitive renewal or that result in a new award) is anticipated after the end of the original contract or current contract, costs may not continue to be charged to the current active grant fund.
13. During the close-out process of projects, cost transfers should not be needed. However, if unallowable costs have been incurred prior to the end of the project, these costs must be removed from the project and charged to an appropriate university departmental account.

Cost Transfer Process:

1. All non-personnel cost transfers will be adjusted by journal entries in the university's accounting system.
2. Journal entries will fully explain the nature of the entry and the amounts being recorded.
3. Journal entries will have documentation electronically attached to the entry made.
4. All prepared and posted journal entries and the related documentation will be readily accessible for review.
5. The redistribution of payroll costs must be implemented and posted by the Office of Research Administration personnel with proper justification.