

KEAN UNIVERSITY

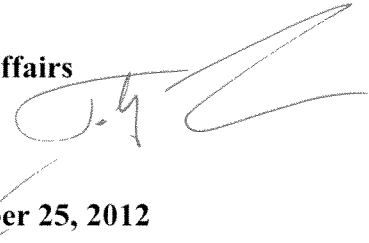
OFFICE OF RESEARCH AND SPONSORED PROGRAMS

Policy Name: COST TRANSFERS

Approval Authority: Office of Vice President, Academic Affairs

Originally Issued: September 12, 2006

Revised/Updated: June 27, 2011; August 9, 2011; October 25, 2012

A handwritten signature in black ink, appearing to be 'J. H.', is written over the 'Approval Authority' and 'Originally Issued' lines.

1. Policy Statement

This policy establishes the requirements of and includes the procedures for allowable transfer of costs from one activity/account to another in compliance with sound fiscal management practices as well as regulations applicable to externally funded projects.

2. Reason/Purpose for Policy

The correct allocation of charges to the appropriate activity/account is important in the management of the University's resources, including all categories of restricted funds, and is of special significance for federally supported programs. Federal regulations (OMB Circulars A-21, A-110 and A-133, and the Federal Acquisition Regulations) and the terms and conditions of other sponsors specify that expenditures are charged to the correct activity/account. This fiscal management practice is equally applicable to the use of University funds. Occasionally expenses are charged to an incorrect activity/account and, with adequate justification, it is allowable to transfer costs to the correct activity/account.

The purpose of this policy is to inform both principal investigators and administrators about the circumstances under which cost transfers are allowable and to describe how to submit a retroactive cost transfer request (either for salary and wage cost transfers or non-salary and wage cost transfers), whereby appropriate costs may be transferred, with justification and documentation, between activities/accounts in compliance with the financial policies of the University and with existing regulations applicable to federal and private sponsored or other restricted funds.

Specifically this policy addresses:

- The importance of timely transfers to correct errors or for other allowable reasons after the errors or need for the transfer of cost is discovered.

- The determination of when cost transfers are allowable and when cost transfers are unallowable.
- The circumstances under which a cost transfer may be allowable or unallowable.
- The procedures required for late cost transfers.
- A description of what documentation is required to support cost transfers.

3. Policy Applies To

This policy applies to all University personnel who have designated signatory authority to charge activities/accounts.

4. Contacts

- A. Office of Research and Sponsored Programs
- B. Vice President, Academic Affairs

5. The Policy

A. Definitions:

Cost transfer: A cost transfer is an after-the-fact reallocation of the cost associated with a transaction from one activity/account to another. All costs are supposed to be charged to the correct activity/account when they are incurred. However, occasions arise when a cost transfer is a legitimate corrective method to assign appropriate costs to activities/accounts.

Late cost transfer: A late cost transfer is a correction made more than 90 days after the month in which the charge appears in the Datatel/Colleague system.

Allowable cost transfers: To be considered allowable, cost transfers must meet the following criteria:

- (1) Must benefit the activity/project – The expenses being transferred must have benefited the activity/project to which it is being moved.
- (2) Be completed and submitted in a timely manner - Costs should be transferred as soon as the error or need for the cost transfer is discovered, but no later than 90 days after the month in which the charge appears in the Datatel/Colleague
- (3) Be fully documented and have appropriate signatures – Cost transfer requests must be accompanied by a statement that explains the reasons for the transfer. In rare instances there may be cost transfer requests beyond the 90-day period. In such cases, the request must also include the reasons for both the

delay in processing the correction and the late submission of the transfer request. Explanations such as “to correct error” or “to transfer to correct project” are insufficient to justify the transfer of costs.

- (4) Conform to University and sponsor allowable standards – The cost to be transferred must be an allowable cost under the University’s financial policies and/or sponsor award terms.

Reasonable costs - (OMB Circular A-21) “A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

Allocable costs - (OMB Circular A-21) “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable if (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in this Circular, is deemed to be assignable in part to sponsored projects.”

Allowable costs – Costs that are allowable under the sponsor award terms.

B. Implementation:

Timely Transfers: Transfers of cost between activities/accounts to correct errors or for other allowable reasons should be made promptly after the error or need for the transfer of cost is discovered. In the case of sponsored awards, they must be made prior to the submission of the final expenditure report to the sponsor. The appropriate paperwork to correct the error should be submitted as promptly as possible. Entries made long after the original charge raise serious questions concerning the propriety of the entries and are subject to cost disallowance.

Timeliness is especially important when an erroneous distribution affects an activity/account that is funded by the federal government. All corrections must be made on a timely basis (i.e., within 90 days). Late cost transfers are particularly vulnerable to audit and require extra supporting justification or may be deemed unallowable by sponsor and governmental regulations.

Late Cost Transfers: A correction made *more than 90 days* after the month in which the charge appears in the Datatel/Colleague is considered a “late cost transfer.” Because of audit issues, late cost transfer requests should be rare and be based on extraordinary circumstances. For a late cost transfer to be considered, the request

must include a detailed justification for the lateness of the transfer. This justification also must explain the delay in processing the correction.

C. Applicability:

Cost transfers are allowable under the following circumstances:

Error Correction: Errors may include clerical errors (such as typographical errors or transposition of activity/account digits). Other errors may be detected upon review of monthly financial statements. It may be determined, for example, that a payroll distribution had not been updated, and an individual's effort had been redirected, or a purchase had been charged to an activity/account different from that which ultimately benefited from the use of the items purchased. All errors should be corrected as soon as they are detected and within 30 days after the month in which the charge appears in the Datatel/Colleague.

Transfers between account expenditure code categories or between object codes set up under a prime account: Examples of these kinds of transfers include transferring a charge (that was incorrectly posted) from one object code to another object code or to correctly categorize the nature of an expense (e.g., supplies vs. equipment).

Costs benefiting more than one activity: When two or more closely related activities are being undertaken simultaneously, it may be difficult to distribute charges correctly among the activity/account when the expenditure is initially made when the correct distribution will best be made based upon an actual usage analysis. In these cases, a cost transfer from the originally charged activity/account to another activity/account may be made provided that the cost transfer meets the following criteria:

- (1) The initial charge could appropriately have been made to the other activity/account as the cost represents proper and allowable charges to that activity/account.
- (2) The charge is contemplated in the approved budgets of both activities/accounts.
- (3) The explanation makes it clear why a particular charge is appropriate to either activity/account. This should include documentation which contains a full explanation and justification for the entry and the certification of the propriety of the entry by the principal investigator or responsible administrator.

Pre-award costs (Sponsored Projects): When advance accounts are established for sponsored projects, they will be established in the appropriate ledger; consequently cost transfers are not required for pre-award costs.

Non-competing continuation or incrementally funded award (Sponsored Projects): A non-competing continuation award or incrementally funded fails to materialize and charges have been incurred. Costs incurred subsequent to the anticipated effective date of the award will need to be transferred to other appropriate funds.

Cost transfers are unallowable under the following circumstances:

Unspent Balances: Costs generally may not be transferred to activities/ accounts with unspent funds unless the account benefited from the expense that was originally wrongly assigned to an activity/account. (Note: Even if this test is met, only in rare circumstances will such transfers be allowed between sponsored project accounts.)

Costs incurred after the end date of sponsored project: Costs incurred after the end date of a sponsored project are not allowable and may not be transferred to another sponsored activity/account. Unless made in error, these costs must be transferred to other appropriate accounts, such activities/accounts supported with University funds.

D. Procedure and Documentation:

Cost transfers are initiated in writing by the Project Director/Principal Investigator or a designee to the Office of Research and Sponsored Programs. In some cases a cost transfer will be initiated by the Grants-Post Award Administrator or Grants Accountant if they find an error during the day to day monitoring of expenditures to sponsored projects.

When a cost transfer is needed, a memo or email should be submitted to the Office of Research and Sponsored Programs for approval, the cost transfer request will then be forwarded to Grants Accounting to make a correcting journal entry to effect the transfer.

Retroactive personnel cost transfers for correction of labor and benefit charges require particular attention. Revisions to the effort (and corresponding dollars) of personnel charged or credited to a sponsored award account, must be carefully justified for a cost transfer to be approved.

The memo or email transfer request must contain a full explanation and justification for the transfer, along with relevant supporting documentation.

The documentation should address the following:

- (1) That the expense directly benefits the receiving activity/account.
- (2) That the expense is allowable.
- (3) The reason the expense was charged incorrectly to the first activity/account.

Cost transfers must be made within 90 days after the month in which the charge appears in Datetel/Colleague. Cost transfers after 90 days will be allowed only if an appropriate justification for the lateness of the transfer is provided on the cost transfer form.

NOTE: The cost transfer will be returned for further documentation if sufficient justification and documentation to meet sponsor regulations and award terms and conditions are not provided.

Federal regulations strictly *prohibit* the transfer of costs from one project to another in order to:

- Cover cost overruns with funds in other projects.
- Avoid restrictions incorporated in the award.
- For other reasons of convenience.