



Cost-Transfer Policy

Issued: January, 2007

Implemented: March, 2007

POLICY

A cost-transfer is any adjustment of expenditures to a sponsored project to align costs with the actual benefit received on the sponsored project. To provide the monitoring required by federal regulations (OMB Circulars A-21 and A-110) and to ensure good stewardship of sponsored projects, SFSU will review all cost-transfers for allowability, allocability, reasonableness and proper compliance. SFSU has established this policy to delineate when it is appropriate to request a cost-transfer, and to identify the allowable mechanism to do so for both personnel and non-personnel costs.

Adherence to this procedure is necessary, as inappropriate or poorly documented cost-transfers can result in federal regulators denying reimbursement of these expenses or imposing other sanctions on SFSU, such as fines or loss of certain authorities.

Cost-transfers must be completed within 90 days from the time of the original transaction. A justification and proper documentation must be provided to the Office of Research and Sponsored Programs (ORSP) in order to process the transaction.

SCOPE

SFSU is responsible for ensuring that all transactions are accurately and appropriately charged to the correct project based on the benefit to the project and consistent with federal regulations including:

OMB Circular A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions, Section (C)(4)(b) states:

Any costs allocable to a particular sponsored agreement under the standards provided in this Circular 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.

SFSU will not allow cost-transfers made for these purposes, but recognizes that there will be certain circumstances when cost-transfers must be done to correct charges on sponsored projects.

The PI is responsible for ensuring that cost-transfers are done timely. Several government agencies, such as National Institutes of Health (NIH), define this as within 90 days of when the error was discovered.

NIH Grants Policy Statement (12/03) states the following with respect to the timing for cost-transfers:

Cost-transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The 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 grantee, consortium participant, or contractor. 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 or from one competitive segment to the next solely to cover cost overruns are not allowable.

SFSU requires cost-transfers to be requested fewer than 90 days from the original expenditure date. Transfers to move costs from a sponsored project to a non-sponsored project can be made at any time and are not subject to the 90 day restriction.

This policy is not applicable for cost-transfers initiated for the following reasons:

1. Transfers made to and from projects due to central administration processing errors, e.g. payroll posting incorrectly, a data entry error, etc.
2. Transfers made between expense accounts on the same sponsored project.

Personnel Cost-transfers Related to Time and Effort Reporting

The only acceptable reason for transferring personnel costs to and from sponsored projects is to align the costs with the actual effort devoted to the project and the effort certification. During the time and effort certification process, salary charged to sponsored projects will be reviewed for accuracy. If the actual effort committed for the period differs from the report, the report should be updated and signed and a cost-transfer request should be completed.

Once effort has been certified and the appropriate transfers completed (if necessary), no additional cost-transfers should be processed relating to the certified effort period. Any exceptions will need to be approved by ORSP and a revised effort certification will be required. Personnel cost-transfers should not be requested to cover a deficit on another sponsored project or to transfer costs to spend a remaining balance of a sponsored project.

Acceptable and Unacceptable Reasons for a Cost-transfer

The following illustrates acceptable and unacceptable reasons to request a non-personnel cost-transfer.

Acceptable Reasons for a Cost-transfer

1. To correct a departmental clerical or bookkeeping error on the original transaction forms such as a transposition of numbers.
2. To move expenses charged to a department discretionary account to a sponsored project account if a pre-award spending account was not established.

Note: In addition to the reasons above, the explanation will require additional detail that specifically relates to the cost-transfer.

Unacceptable Reasons for a Cost-transfer

1. To transfer costs from a sponsored project in deficit to another sponsored project.
2. To transfer costs to a sponsored project to spend the remaining funds.

ORSP will review and approve cost-transfer requests and ensure that they are compliant with the sponsor guidelines and with SFSU policies and procedures. If the cost-transfer is not appropriate, it will be returned to the submitter indicating the reason for rejecting the cost-transfer and requesting additional information as necessary.

Written Justifications for Cost-transfers

Since the federal regulations assume that cost-transfers are exceptions, it is imperative to appropriately justify in writing the reason why the cost was not charged to the correct project originally and how it benefits the project to be charged. This justification should be documented and will serve as an audit source document.

The following are examples of **inappropriate** justifications:

1. Simply stating, "To correct an error."
2. Charged a sponsored project for a bulk purchase and are moving costs to the appropriate sponsored projects.
3. Charged another sponsored project in anticipation of future funding.
4. To move costs to a sponsored project with available budget.

Cost-transfers After an Award has Terminated

Cost-transfer requests made after an award has terminated should be received by ORSP before 45 days after the date the award ends. These transfers should be processed and uploaded into the Financial Management System within 15 days and no more than 60 days after the award ends. Final financial reports and final invoices are sent to sponsors within 90 days after an award ends. Cost-transfers have to be posted to the Financial Management System before the final financial statements are submitted.

Cost-transfers that are NOT approved

If a cost-transfer is not approved, the cost may be transferred to a department discretionary account, or other designated account.

Cost-transfers over 90 days

Cost-transfers over 90 days may be approved for the following reasons:

1. Moving an unallowable cost from an award to discretionary funds
2. Moving an allowable cost from an award to discretionary funds

All cost-transfers over 90 days old are reviewed on a case-by-case basis and must be approved by the ORSP Director. A justification for the cost-transfer over 90 days must also be included.

ROLES AND RESPONSIBILITIES

Academic Department or Responsible Unit

- **Department Chair**
 - Is responsible for the cost of unallowable cost-transfers.
- **Principal Investigator and/or Department Administrator**
 - Ensures that all transactions are accurately and appropriately charged to the correct project based on the benefit to the project and are consistent with federal regulations.
 - Identifies charges (personnel and non-personnel) which will require a cost-transfer.
 - Provides a justification for cost-transfers.
 - Submits cost-transfer requests within 90 days of the original transaction.

Office of Research and Sponsored Programs

- **Grants Administrator**
 - Processes the cost-transfer requests from the PI for both personnel and non-personnel charges.
 - Identifies charges (personnel and non-personnel) which will require a cost-transfer.
 - Processes cost-transfers resulting from system or internal errors.
 - Reviews requests for cost-transfers for allowability, allocability, reasonableness and adherence to the terms and conditions of the award.

- **Personnel Specialist**
 - Processes Labor Cost Distribution Change Requests.
 - Reports erroneous personnel charge to the Grants Administrator responsible for the project.

- **ORSP Director**
 - Reviews and approves all requests for non-personnel cost-transfers.
 - Reviews and approves all Labor Cost Distribution Change requests.

Fiscal Affairs

- **Fiscal Affairs Accountant**
 - Processes cost-transfer requests received from ORSP in the Financial Management System.

- **Budget Analyst**
 - Processes Labor Cost Distribution Change requests in the Human Resource Management System.

RELATED DOCUMENTS

- [OMB Circular A-21, "Cost Principles for Educational Institutions"](#)
- [OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Higher Education, Hospitals and Other Non-Profit Organizations"](#)
- [NIH Grants Policy Statement](#)