



CHARLES R. DREW UNIVERSITY OF MEDICINE AND SCIENCE Office of Sponsored Programs

Cost Transfer Policy

Summary:

To comply with the requirements of OMB Circular A-21, the policy of NIH, our largest source of federal research funding, and the requirements of other federal sponsors, Charles Drew University of Medicine and Science has established the following policy and procedures for the processing of cost transfers.

Reason for Policy:

To comply with the cost allowability and allocability requirements of Office of Management and Budget (OMB) Circular A-21, it is necessary to explain and justify transfers of charges into federal awards from other federal accounts, non-federal accounts or University accounts (including transfers from the departmental cost share fund to the sponsored project fund). Timeliness and completeness of explanation of transfer are important factors in supporting allowability and allocability in accordance with the principles of the Circular. OMB Circular A-21 prohibits the use of cost transfers for the purpose of "convenience", i.e. a transfer largely for the purpose of using unexpended funds on an award that is ending.

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate control systems:

- Frequent cost transfers
- Late cost transfers
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Inappropriate transfers will result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency.

NIH Grants Policy Statement (Rev. 10/1/2013) states:

"Cost transfers to NIH grants by grantees...should be accomplished within 90 days... 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. 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. Grantees must maintain documentation of cost transfers,

pursuant to 45 CFR 74.53 or 92.42 [record retention requirements] and must make it available for audit or other review. Frequent errors in recording costs may indicate the need for accounting system improvements and/or enhanced internal controls. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on an award(s)."

Definition of a Cost Transfer:

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project within a 90-calendar day period from the accounting date. Sponsor requirements concerning the management of awards made to Drew limit the circumstances under which cost transfers are allowed. ***In contrast, a rebudgeting action involves the reallocation of budgeted funds and not a transfer of expenditures.***

A late cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project ***more*** than 90 calendar days from the accounting date.

Here are some examples of typical circumstances in which late cost transfers may not be allowed:

- Reallocation of expenses because the grant has unexpended funds
- Reallocation of expenses because the clerical error was not noticed within a 90-calendar day period

Responsibilities:

The Office of Finance is responsible for ensuring that the University abides by this policy and accompanying procedures when processing cost transfers. Office of Sponsored Programs (OSP) is responsible for maintaining the policy and for answering questions regarding the policy. Individuals processing cost transfers are asked to first contact the Office of Finance and/or Office of Sponsored Programs with questions on this policy, to ensure the Office of Finance is aware of cost transfer questions and to ensure consistent guidance is provided within each department.

It is the responsibility of the Principal Investigator (PI) to ensure compliance with the CDU Cost Transfer Policy. The PI must also ensure that personnel under their direction, engaged in the financial administration of federally sponsored projects, are familiar with CDU's Cost Transfer Policy.

Procedures:

A cost transfer is a transfer to a federally funded sponsored account of a charge previously recorded elsewhere. Examples:

- transfer of pre-award costs
- correction of a clerical error
- reallocate effort to reflect actuals

- reallocate shared services that were previously charged elsewhere, etc.

Cost Transfers *within* 90 Days

The procedure to be followed for cost transfers within 90 days is set below. The 90 day threshold is calculated from the date when the charge first posted in the general ledger (which will not necessarily be the date the cost was originally incurred). For example: for a charge first posted in the general ledger on May 2nd, the 90 day period would begin on June 1st and end on August 31st.

A Cost Transfer Request Form should be completed and signed by the Principal Investigator and sent to the Office of Finance. All requests for cost transfers must be accompanied by supporting documentation. The Office of Finance will notify the Principal Investigator if a cost transfer is not approved.

Cost Transfers *after* 90 Days

A cost transfer request submitted after 90 days or three months requires the completion of a Cost Transfer Request Form signed by the Principal Investigator, the account manager, Office of Finance and Office of Sponsored Programs.

These requests will be approved only in extenuating circumstances.

Extenuating Circumstances

There are a limited number of extenuating circumstances for which cost transfers over 90 days will be allowed. Examples of acceptable extenuating circumstances are:

- Late issuance of appropriate documentation for reasons beyond the control the requestor, such as late issuance of an award by a funding agency. Justification and support will be required and reviewed on a case by case basis.
- Failure of a timely response in another unit when supporting documentation has been properly submitted, e.g., a properly submitted payroll distribution change request. The original or copy of supporting documentation will be required.
- Transfer of expenditure from an unrestricted account to federal award that was not in place when the expense was initially incurred.

Note: The Office of Sponsored Programs recommends an Advance Approval account using the Advance Approval Form be established, which is done at the request of the Principal Investigator.

The Advance Approval account becomes the Active account upon receipt of the award documentation and funding and no cost transfers are subsequently required.

Extenuating Circumstances Do Not Include:

- Absences of the PI or designee, or shortage or lack of experience of staff. It is the responsibility of the University and the PI to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor's policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.
- At no time should sponsored projects be used for expenses that will subsequently be transferred elsewhere.

Rev 1/1/14

This section provides supplemental interpretation of federal regulations contained in Circular A-21 concerning charging food and refreshments to federal grants while not on travel status.

Note that CDU Policy may permit spending CDU funds for these types of expenses but they may not be allowable on sponsored projects. In these cases, the cost should be charged to a faculty or departmental discretionary account.

The cost of purchased meals while not on travel status will normally not be allowed as a direct charge to a federal or state grant because CDU employee is not "traveling" and the cost is normally considered a personal expense. However, when a food or beverage cost meets the following three criteria, and the Principal Investigator (PI) provides written justification of the business purpose of the expenditures and how they relate to the specific sponsored project, (including purpose of the meeting, list of attendees, beginning and end times), a meal cost may be charged to a sponsored project. The applicable criteria are:

1. The cost must be **allowable** under both the provisions of A-21 AND under the terms of a specific award. The food and beverages must not be directly related to a social event.
2. The cost must be **allocable**, that is, the project which pays the expense must benefit from it. More specifically, the food and beverage must be integral to a project-related event.
3. The cost must be **reasonable**, that is the cost reflects what a "prudent person" would pay in a similar circumstance.

Examples of **allowable** food charges:

- Lunch and refreshments provided for periodic all-day meeting of collaborators on a program project (with formal agenda and participants from different locations).
- A post-doc being recruited to fill an open position on a research grant travels to CDU. Her/his meal may be charged to the grant since she/he is on travel status, but the PI's meal may not.

Examples of **unallowable** food charges:

- Lab personnel meet weekly to discuss progress on the grant.
- PI has lunch/dinner with a colleague and discusses research.

