**COST TRANSFER POLICY (Policy No.100.0)**

Effective Date: July 1, 2007

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Responsible Offices: Office of the Vice President for Research and Office of Sponsored

Projects

Approval: Office of the Vice President for Research

**Cost Transfers on Sponsored Agreements**

**Purpose:**

Brown University (Brown) expects its faculty, staff and students, when dealing with federal and other sponsored projects, to comply with all government and sponsor rules and regulations and follow established standards for determining when it is appropriate to initiate a cost transfer. Brown expects that costs be charged to the appropriate award when first incurred but acknowledges that there are circumstances where it may be necessary to transfer expenditures to another award subsequent to the initial recording of the charge.

**Policy:**

To comply with allowability and allocability requirements of the Office of Management and Budget (OMB) Circular A-21 Cost Principles for Educational Institutionsor Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), it is necessary to explain and justify the transfer of charges to federal awards from other accounts. OMB federal requirements prohibit 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. Timeliness and completeness of transfer explanations are important factors in supporting allowability and allocability in accordance with federal requirements.

**Definition:**

A cost transfer is an after-the-fact reallocation of costs, either labor or non-labor, to a sponsored funded award.

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness. Cost transfers should be initiated as soon as possible after the original transaction, preferably within 90 days of the accounting date of the transaction. Requests for transfers after 90 days must include sufficient documentation and justification and will be considered on a case by case basis. The University is obligated to immediately remove incorrect charges made to sponsored accounts, regardless of time frame.

Typically, cost transfers are appropriate when they are allowable direct costs of the sponsored project and their purpose is to:

* correct errors in processing the original charges;
* move costs between funds for closely related work as defined by the project scope that is supported by more than one funding source;
* reallocation of shared services;
* transfer pre-award costs in accordance with the provisions of OMB federal requirements, (Circular A-110 Section C.25 or Uniform Guidance 2 CFR 200.308 Section d.1)
  + incur pre-award costs 90 calendar days prior to award or more than 90 calendar days with prior approval of the Federal awarding agency.

Inappropriate circumstances include, but are not limited to, the following:

* transfers solely for the purpose of utilizing an unexpended balance;
* transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored agreement;
* transfers that circumvent pre- and/or post-award restrictions;
* transfers to avoid restrictions imposed by law or by terms of the sponsored agreement;
* transfers to activities sponsored by industry, foreign governments or other sponsors shifted to federally sponsored agreements;
* other transfers for reasons of convenience.

**The following are not considered cost transfers and do not require the completion of a Cost Transfer Explanation and Justification Form:**

* Transfers of true overdrafts (off sponsored awards to unrestricted accounts). These transfers may be made in lump sum entries rather than identifying individual transactions.
* Transfers of expenditures between grants under the same award (i.e. between main and/or sub accounts), in cases where there are no sponsor restrictions on the funds set aside in a particular sub account.
* Transfers of pre-award expenditures that were charged to a departmental account, if the costs are allowable and allocable, and were incurred within 90 days before the beginning date of the award.
* Transfers of expenditures incurred within the period of performance of the award but charged to a departmental, unrestricted, or other non-sponsored account while awaiting the fully executed sponsored agreement.
  + To avoid unnecessary cost transfers, an advance account should be requested from OSP by completing the UPAS form.
* Transfer of an incorrect charge from a sponsored account to a non-sponsored account.

**Caution:** An account for an existing sponsored agreement must never be used as a holding account for any pre-award expenses, including labor.

**The following are considered cost transfers and require the completion of a Cost Transfer Explanation and Justification Form (Appendix C):**

* Transfers to correct data entry or clerical errors (i.e. to correct data entry or transposition error: GR527364 should have been GR527346).
* Transfer of expenditures from a non-sponsored account to an existing award (i.e., to transfer project costs from the departmental account to the sponsored award because the sponsor issued a modification to the existing agreement rather than issuing a new award and therefore the account number remained the same).
* Recurring and routine transfers to allocate direct expenses (i.e. telephone toll charges and service center recharges). The costs must be allowable, charged in a timely manner, and allocated based on the benefit derived.
* Transfers of expenditures from the prior year account to the competing or noncompeting continuation account if permitted by the terms of the award. The explanation should contain the sponsor award number for both the prior year and the competing or non-competing continuation award.
  + To avoid unnecessary cost transfers, an advance account should be requested from OSP by completing the UPAS form.

**Cost Transfers Made After the 90 Day Period**

Brown recognizes that there may be extenuating circumstances for cost transfers to be processed after the 90 day limit. Transfers which are not made promptly, due to extenuating circumstances, must include an adequate explanation for the delay. All cost transfers made after the 90 day period will be considered only after careful review and approval of the Director of the Office of Sponsored Projects or designee. Transfers over 90 days will require an explanation indicating the measures that have been put in place to prevent future occurrences. In addition, additional information may be requested if OSP determines that late transfer is indicative of a systemic problem.

**Certain circumstances which necessitate a late cost transfer include but are not limited to the following:**

* The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of an account number.
* The account number assignment was delayed because of negotiation issues which prolonged the award acceptance.
* The official approval from the sponsor for specific expenditures was received after the expense transaction(s) was processed.
* The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expense transaction(s) was processed.

**NOTE:** Extenuating circumstances **DO NOT** include absences of PI or responsible administrator, and/or shortage or lack of experience of staff. It is the responsibility of Brown and the PI to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with policies and procedures. This includes those related to regular/timely (typically monthly) monitoring of expenditures and timely correction of errors and reallocation of expenses.

**Cost Transfers for Payroll Accounting Adjustments (PAA’s)**

PAA’s are considered cost transfers and must be in compliance with the University’s Cost

Transfer Policy.

Departments are responsible for periodically reviewing effort distribution for appropriateness and accuracy of effort expended on all projects. It is recommended that the review be done monthly or no less frequently than quarterly. OMB federal requirements require adjustments to salary allocations in response to significant changes in work activity. Failure to adjust salary allocations in a timely manner will result in errors to salary charges to grants, leading to over/under recovery of salaries.

**Procedures:**

**Documentation and Justification Requirements**

Each cost transfer request must be clearly explained with supporting documentation. The **Cost Transfer Explanation and Justification Form (Appendix C)** must be completed. The person initiating the transaction has primary responsibility for fulfilling these requirements and maintaining the related records. All records must be retained in accordance with the record retention requirements of the sponsored agreement and the University.

The written explanation and supporting documentation must clearly address **ALL** of the following:

* account originally charged and award/account to be charged;
* a description of the expense(s) being transferred;
* date of the original charge(s);
* documentation for the original charge(s) if not executed in Workday (i.e.: For p-card charges provide original credit card receipt and p-card log); or operational transaction ID (i.e.: ER-12345) if executed in Workday; and/or other documentation that describes and supports the business transaction;
* why the receiving account was not originally charged;
* why it is appropriate to charge the receiving account.

**Note:** Transfers made after 90 days must include a justification for lateness. Explanations such as “to correct a clerical error” or “to transfer to a correct project” are not adequate and will be denied. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable.

**Procedure for Payroll Accounting Adjustment Made Prior To the Certification of Effort**

* Modify the employee’s costing allocation in Workday if necessary
* Submit a PAA for any retroactive changes in effort
* Submit certified effort report
* The PAA must include the appropriate justification as noted above

**Payroll Accounting Adjustment Made After Effort Report Has Been Signed**

It is strongly recommended that PAA’s be requested BEFORE the Effort Report has been created for the period. However, it is recognized that there may be reasons or extenuating circumstances for labor to be redistributed after the certification statement has been issued and in some cases signed.

Once an Effort Report has been signed and returned to OSP, no further adjustments to that individual’s distribution of effort are allowed unless approved by the OSP. Changes to previously certified effort erode the credibility of the certifier as well as the entire effort certification process.

Changes to a certified effort report are not allowed except in limited circumstances, which require the following:

* Sufficient documentation that supports allowability and allocability, and why the effort was originally certified incorrectly, and
* Approval of the Director of Office of Sponsored Projects or designee.

**APPENDIX A**

**ROLES AND RESPONSIBILITIES RELATED TO COST TRANSFERS:**

The major responsibilities each party has in connection with the University’s Cost Transfer Policy are as follows:

**Cost Center Manager**

* Review sponsored accounts on a regular (e.g. monthly) basis to ensure that all expenditures charged, both personnel and other costs, are correct and appropriate.
  + This review should include the determination that the charges are reasonable, allowable, and directly support the scope of work for that project.
  + Personnel charges should represent a reasonable reflection of employee’s effort.
  + Any errors discovered must be corrected in a timely manner.
* Establish effective processes and controls to ensure compliance with this policy.
* Ensure sponsor funds are expended in a manner consistent with the policies and procedures of the University and the terms and conditions specified by external sponsors.
* Assume responsibility for or assign an administrator to process the expenditure in compliance with appropriate university policies and procedures, and departmental guidelines.
* Ensure appropriate documentation has been obtained; i.e. original receipt, written justification, etc. to support the transaction.
* Ensure appropriate approvals have been obtained.

**Principal Investigator / Employee / Graduate Student**

* Ensure sponsor funds are expended in a manner consistent with the policies and procedures of the University and the terms and conditions specified by external sponsors.
* Ensure appropriate documentation has been obtained; i.e. original receipt, written justification, etc. to support the transaction.
* Ensure appropriate approvals have been obtained.
* Review sponsored accounts on a regular (e.g. monthly) basis to ensure that all expenditures charged, both personnel and other costs, are correct and appropriate.
  + This review should include the determination that the charges are reasonable, allowable, and directly support the scope of work for that project.
  + Personnel charges should represent a reasonable reflection of employee’s effort.
  + Any errors discovered must be corrected in a timely manner.

**Office of Sponsored Projects**

* Develop and implement cost transfer policies, procedures, and training in accordance with the regulations set forth in OMB federal requirements.
* Distribute effort reports for all employees identified as expending effort on sponsored projects.
* Monitor cost transfers to ensure compliance with the University’s Cost Transfer Policy.
* Audit and confirm the allowability of cost transfers and facilitate any necessary corrections with the cost center manager.
* Report questionable practices and recurring problems to the Associate VP for Research and the Director of Internal Audit.
* Work with external auditors as they monitor the University’s compliance with cost transfer regulations.

**Internal Audit**

* Independently evaluate compliance with cost transfer policy and procedures.

**APPENDIX B**

**DEFINITIONS:**

Advance Account: An account that is established in the general ledger prior to the receipt of an award.

Allowable Costs:

***Allocable*** - Incurred solely to advance the work under the sponsored agreement; benefits to both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; necessary and deemed to be assignable in part to the sponsored agreement.

***Reasonable*** - Necessary for the performance of the sponsored agreement; reflect the action a prudent person would take under the prevailing circumstances; in accordance with the sponsored agreement terms and conditions; consistent with established Institute policies and practices.

***Consistently treated*** - Uniformly applied across all funds; incurred for the same purpose, in like circumstances and are treated as either direct costs or indirect (facilities and administrative) costs.

Cost Transfer: A cost transfer is an after-the-fact reallocation of costs, either labor or non-labor, to a sponsored funded award.

Direct Costs: Costs that can be identified specifically with a particular sponsored project; costs that can be directly assigned relatively easily to a project with a high degree of accuracy.

Effort: The proportion of time spent on activities related to a Principal Investigator's or employee's duties, for which university compensation is received. Total effort must always equal 100%. External activities such as consulting are not included.

Facilities and Administrative Costs (F&A): Costs that are incurred for common or joint objectives, and therefore cannot be identified readily or specifically with a particular sponsored project. F&A costs include such items as utilities and other plant costs, and certain general expenses (e.g. salaries of administrative and clerical staff, office supplies, postage, photocopying etc.) that are to some degree attributable to the project/program. Costs normally treated as F&A costs cannot be charged directly to a sponsored project unless the specific activities related to the project are clearly different in type or significantly different in scale from the University norm.

Late Cost Transfer: A cost transfer that is requested to be made 90 or more days after the accounting date of the original transaction.

Sponsored Project: A project/program funded by a grant, contract, or cooperative agreement under which the university agrees to perform a certain scope of work, according to specific terms and conditions for a specified budgeted amount.

**APPENDIX C**

**Brown University**

**Office of Sponsored Projects**

**Cost Transfer Explanation and Justification Form**

A cost transfer is a journal entry that transfers expenses onto an externally-funded sponsored project that was previously recorded elsewhere on Brown’s General Ledger and requires institutional approval before it can be posted to the General Ledger. The completed Cost Transfer Form serves as institutional approval and is required for all journal entries subject to the Cost Transfer Policy. The Cost Transfer Policy provides guidance on determining if the journal entry requires the following Cost Transfer Form.

**Procedures:**

* If cost transfer is made within 90 days of month end closing date from the original transaction please answer questions 1 and 2.

\**Note:* 90 days means 90 calendar days from the 5th business day of the subsequent month in which the charge was originally transacted.

* + - For example, if the original charge posted on 5/10/16, 90 calendar days are counted from 6/7/16.

* If cost transfer is made 90 days after end of month closing please complete questions 1, 2, 3, and 4.
* For journals, email the completed form and all supporting documentation to your OSP Grant/Contract Accountant with the journal entry number in the subject line. *Example naming convention: SF0000012345.*
* For Payroll Accounting Adjustments (PAA), attach the completed form to the PAA entry in Workday.

1. Why was the expense(s) originally charged to the account from which it is now being transferred? (Include identifying information: cost center, grant, employee, effort %, dollar amount)

1. Explain why the expense(s) is being transferred to the proposed receiving account. Describe how the expense(s) directly benefits (i.e. are allowable and allocable) the award. *\*Ensure that no sponsor restrictions would preclude this transfer and that the transfer complies with sponsor and university policies.*

1. Why is this cost transfer being processed 90 days after the month end closing date of the original transaction(s)?

1. If applicable\*, what corrective action has been taken to correct systemic problem(s) that would eliminate future need for cost transfers of this type?

*\*Frequent occurrences of late transfers over 90 days require completion of this question. In addition, OSP may require you to complete this question if they determine the late transfer is indicative of a systemic problem.*