

Cost Transfers Policy

Policy Number: 600-029
Effective Date: April 3, 2007
Last Updated: April 3, 2007
Issuing Authority: Vice President for Research and Compliance
Responsible Offices: Restricted Fund Accounting (or Grant/Contract Accounting once established by the university)

Purpose:

To establish guidelines for the timing and appropriateness of cost transfers and to identify the mechanism for transferring allowable personnel and non-personnel costs.

Adherence to this policy is necessary because inappropriate or poorly documented cost transfers can result in the sponsor denying reimbursement of these expenses or the imposition of sanctions on Howard University, such as fines or loss of certain authorities.

Policy:

It is the policy of Howard University and all related entities, business units, subsidiaries and affiliated organizations including, but not limited to, Howard University Hospital (hereinafter referred to collectively as "Howard University") to comply with all sponsor guidelines related to cost transfers between a sponsored award account and another account. Howard University seeks to limit cost transfers as much as is practicable and, where necessary, to transfer costs in a timely fashion. (This policy does not apply to cost transfers made between expense accounts on the same sponsored program.)

Business Process Description:

Definition: A cost transfer is any adjustment of expenditures to a sponsored program in order to align costs with the actual benefit received by the sponsored program.

The Principal Investigator/Project Director (PI/PD) is responsible for ensuring that all transactions are charged accurately and appropriately to the correct project, based on the benefit to the project and in a manner that is 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:

- "[A]ny 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."

Howard University does not allow the types of cost transfers outlined in the Circular A-21 statement above. However, it is recognized that there are certain circumstances in which cost transfers must be conducted in order to correct charges in sponsored program accounting.

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The PI/PD is also responsible for ensuring that cost transfers are conducted in a timely manner. Several government agencies have outlined their requirements for cost transfer timeliness.

The Department of Health and Human Services (HHS) *Grants Policy Statement (10/06)* states the following with respect to the timing of cost transfers:

- “Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO [Grants Management Officer].”

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.”

Both policy statements state that “[t]he 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 ... An explanation merely stating that the transfer was made ‘to correct error’ or ‘to transfer to correct project’ is not sufficient.”

Howard University requires that cost transfers be completed within 90 days¹ from the original expenditure date with the exception of cost transfers necessitated by an effort certification, which must be accomplished within 90 days of the certification date. In all cases, the 90-day time period is subject to other deadlines (e.g., the filing of a Financial Status Report), and therefore may be shorter in any given case.

At Howard University, revenue and expenses for sponsored programs are tracked as separate accounts and are assigned an account number in the university accounting system. Sponsored projects are received by Howard University for a specific purpose and may be spent only in accordance with the guidelines of the sponsoring agency. Sponsored projects are defined in the Sponsored Program vs. Gift Policy and include any grant, contract, or other agreement between Howard University and the federal government or other grantor agency.

All cost transfers fall into one of two categories: personnel (for salary related cost transfers) and non-personnel (for anything other than salary related cost transfers). The process for initiating both types of cost transfer is essentially the same; any differences have been clearly noted below.

To initiate a request to transfer a cost on a sponsored program, the requester completes a *Cost Transfer Form* ensuring that requests:

1. Are signed and submitted to RFA-OSP/GCA within 90 days of the date the transaction occurred. (An exception to this rule relates to cost transfers necessitated by an effort certification, which must be accomplished within 90 days of the certification date.)
2. Identify a specific time period and percent of time to be transferred (for personnel costs) or expense (for non-personnel costs) and verify that any costs being transferred to a sponsored program are compliant with the Direct and Indirect Cost Charging Policy.

¹ All reference to days in this policy is to calendar days unless otherwise specified.

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3. Include appropriate justification.

If RFA-OSP/GCA requires additional information, the requester must provide such information within 10 business days unless another time period is designated by RFA-OSP/GCA.

For personnel costs, the only acceptable reason for transferring to and from sponsored programs is to align the costs with the actual effort devoted to the project and the effort certification. During the Effort Certification Process, the salary charged to a sponsored program is reviewed for accuracy. If the actual effort committed for the period differs from the report, the report is updated and signed. It is at this point that a *Cost Transfer Form* should be completed and submitted in accordance with this Policy. Once effort has been certified and the appropriate transfers have been completed (if necessary), no additional cost transfers should be processed relating to the certified effort period. Any exceptions require the approval of the Associate Vice President for Sponsored Programs (AVPSP) and a revised effort certification is required. Personnel cost transfers are not permitted simply to relieve a deficit on a sponsored program or to spend a remaining balance of a sponsored program.

The completed *Cost Transfer Form* is sent to RFA-OSP/GCA for processing. RFA-OSP/GCA reviews all cost transfer requests for consistency with sponsor guidelines and Howard University policies. If the cost transfer is not approved, the Form is returned to the requester indicating the reason for disapproval and, if applicable, what additional information is necessary for approval. If approved, the salary transfer is processed.

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

Acceptable Reasons for a Cost Transfer

1. To correct a clerical or bookkeeping error in the original transaction such as a transposition of numbers.
2. To clear costs disallowed by the sponsor or an audit.
3. To clear cost overruns on a sponsored program by transferring them to a non-sponsored program account (e.g., a Departmental discretionary account).

Note: In addition to the reasons above, the explanation provided must include additional detail that specifically relates to the cost transfer in question.

Unacceptable Reasons for a Cost Transfer

1. To transfer costs from a sponsored program in deficit to another sponsored program (without adequate justification and approval from the AVPSP).
2. To transfer costs to a sponsored program to spend that program's remaining funds.

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Since the federal regulations assume that cost transfers are exceptions, it is imperative to justify in writing (1) the reason the cost was not originally charged to the correct project and (2) how the transferred cost benefits the project to be charged. This justification should be documented on the *Cost Transfer Form* and serves as an audit source document.

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

1. Simply stating, "To correct an error."
2. That a specific sponsored program was charged for a bulk purchase and the costs are now being moved to the appropriate sponsored programs.
3. That another sponsored program was charged in anticipation of future funding for the correct sponsored program.
4. To move costs to a sponsored program with available budget funds from another sponsored program.

Cost transfer requests made after an award has terminated are to be received by RFA-OSP/GCA before the 45th day after the date the award ends, which may be less than the normal 90-day period. These transfers should be processed and uploaded in the university accounting system within 15 days (by the 60th day after the award ends). Final financial reports and final invoices are sent to sponsors by the 90th day after an award ends and the cost transfers must be posted to the university accounting system before the final financial statements are sent (see [Closeout Policy](#)).

In extremely rare circumstances, an expense may have been charged to the incorrect sponsored program and the error was not identified within the requisite 90 days. In these cases, adequate additional justification on the *Cost Transfer Form* must be completed and signed by the RFA-OSP/GCA Manager. The justification must include a detailed explanation of why the error was not corrected in a timely manner. In addition to the requestor's signature on the Form, a Department Chairperson's signature is also required. **All late cost transfers as well as any exceptions to the procedures defined above must be approved by the AVPSP.**

If a cost transfer is not approved, and it cannot remain on the original account, the cost will be transferred to a department discretionary account, or other designated account to be determined by the Dean of the respective College or School.

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Roles and Responsibilities:

Academic Department

- **Principal Investigator/Project Director (PI/PD):** The PI/PD is responsible for correctly charging costs to the appropriate projects and requesting cost transfers in a timely fashion (consistent with this policy). If a cost transfer is necessary, the PI/PD completes the *Cost Transfer Form* and submits it to RFA-OSP/GCA for processing.
- **Department Chair:** The Department Chair is responsible for reviewing and signing late cost transfers for accuracy and appropriateness as well as determining the discretionary account to receive costs from unapproved cost transfers that cannot remain on the original account.

Restricted Fund Accounting (or Grant/Contract Accounting once established by the university) (RFA-OSP/GCA):

- **Accountant:** The Accountant reviews and approves all cost transfers. The Accountant and RFA-OSP/GCA provides guidance to the research community for interpreting and complying with this policy.
- **Assistant Manager:** The Assistant Manager is responsible for reviewing and signing all cost transfer requests for appropriateness and completeness.
- **Manager:** The Manager is responsible for reviewing and signing all late cost transfer requests.

Office of Sponsored Programs

- **Associate Vice President for Sponsored Programs (AVPSP):** The AVPSP is responsible for reviewing and approving all late or exceptional cost transfer requests.

Related Policies:

- Direct and Indirect Cost Charging Policy
- Personnel Issues Policy
- Internal Controls Policy
- Effort Reporting Policy
- Closeout Policy
- Advance Account/Pre-award Spending Policy

Forms and Links:

- Cost Transfer Form (TO BE DEVELOPED)
- OVPRC Website <http://ovprc.howard.edu>
- OMB Circular A-110, “*Uniform Administrative Requirements for Grants and Agreements with Higher Education, Hospitals, and Other Non-Profit Organizations*”
- OMB Memorandum M-01-06 (January 5, 2001), “*Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs*”
- NIH Grants Policy Statement
http://grants.nih.gov/grants/policy/nihgps_2003/index.htm
- HHS Grants Policy Statement