

## Cost Transfer Policy

### Policy Statement

A **cost transfer** is an after-the-fact reallocation of costs, either salary or non-salary, to or from a sponsored project. Sponsor requirements concerning the management of awards made to institutions such as Gallaudet University limit the circumstances under which cost transfers are allowed.

Gallaudet University has established the following policy and procedures for the processing of cost transfers to comply with the requirements of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and federal agency policies and procedures.

### Reason for Policy

Proper management of funds is essential to uphold the fiduciary responsibilities of Gallaudet University. As a recipient of federal funding, the University is responsible for establishing policies that ensure compliance with the requirements of the Uniform Guidance and the terms and conditions of federal sponsors and of individual awards. This cost transfer policy ensures transfers of expenses, to or from sponsored projects, conform with federal policies and guidelines.

In accordance with the Uniform Guidance, it is necessary to explain and justify transfers of charges onto federally funded sponsored awards, when the original charge was previously recorded elsewhere within Gallaudet's accounting system. Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with federal requirements.

### Roles and Responsibilities

All Principal Investigators (PIs) and administrators at Gallaudet University within all schools, units, divisions, University-wide initiatives, and centers who are involved with the administration and conduct of federally funded sponsored awards must comply with this policy. PIs take primary responsibility for ensuring compliance with federal regulations as well as the monitoring of expenditures, timely correction of errors, and proper allocation of expenses.

### Principal Investigator (PI)

- Ensure compliance with federal regulations and the Cost Transfer Policy
- Ensure the appropriateness of charges on sponsored projects
- Provide consistent application of direct costing practices to federally sponsored projects
- Primary responsibility for preparing cost transfers with adequate documentation of questionable costs
- May work in conjunction with Office of Research staff or Program Support Staff to complete cost transfer request form

### Office of Research

- Assist PIs in timely review and reconciliation of expenditures, as needed
- Establish effective processes and controls to ensure compliance with this policy
- Communicate processes and controls to all responsible employees within the department
- Ensure costs transferred are allocable, allowable, and reasonable
- Maintain documentation in accordance with the University's record retention regulations
- Ensure that costs are removed and assigned to a non-sponsored account in a timely manner if the cost transfer is rejected

### Finance Office

- Establish effective processes and controls to ensure compliance with this policy
- Train PIs on appropriate charging and reviewing of costs
- Establish sponsored projects and cost-sharing accounts in the University's financial system
- Confirm the appropriateness of charges on sponsored projects
- Ensure appropriate documentation exists on cost transfers

## Procedures

Sponsored Project costs should be charged to the appropriate sponsored account when first incurred. However, there are circumstances in which it may be necessary to transfer expenditures to a sponsored project account after the initial recording of the charge. Those transactions require monitoring for compliance with GU's policy, sponsor specific award terms, and the cost principles and administrative requirements that underlie fiscal activities on sponsored projects. It is vital that Principal Investigators or designee authorize and approve costs which are reasonable, allowable, allocable and that directly benefit the sponsored project.

The University will identify and correct errors in allocating direct charges to sponsored agreements in a timely and consistent manner as well as provide proper documentation of these transfers.

Transfers based on funding considerations (i.e., funds remaining at the close of the agreement) are prohibited. In the event an expense is determined to be unallowable or not allocable to the project, the expense must be transferred to a non-sponsored account immediately.

Examples in which cost transfers are allowed include:

- Reallocation of a salary expense
- Reallocation of shared resource costs
- Reallocation of costs where multiple projects benefited
- Correction of a clerical error

Examples in which cost transfers may not be allowed include:

- Reallocation of expenses because the award has unexpended funds
  - Cost transfers are for correcting errors and are not to be used as a means of managing available cash balances.
- Reallocation of expenses because the clerical error was not identified within a 90-day calendar period

### Timeliness

Cost transfers that represent corrections of errors should be completed within three months (90 calendar days) after the original expense is posted to an award. Errors found during the required monthly expenditure statement review process should be corrected immediately upon discovery.

For example, if an erroneous transaction posted to the accounting system during the month of January was discovered during the review process, it must be corrected no later than the April month end close.



### Classifications of Post-award Cost Transfers and Procedures

<b>Cost Transfer Request Form Not Required</b>	Cost transfers of aggregate expenses < \$1,000
	Cost transfers within 90 calendar days from the date of the original charge for the correction of data entry errors made while processing the original charge
	Cost transfers within 90 calendar days from the date of the original charge for the transfer of pre-award expenses charged to a non-sponsored project in anticipation of sponsored funding (if allowed by sponsor)
	Explanation required in the journal entry support, which may include an email or other correspondence from the PI to the Finance Office

<b>Cost Transfer Request Form – within 90 days</b>	Cost transfers of aggregate expenses $\geq$ \$1,000
	Cost transfers within 90 calendar days from the date of the original charge
	Salary or non-salary expense is to a federally sponsored project and/or salary is part of a previously certified effort statement
	Supporting documentation must accompany the Cost Transfer Request Form – emails, copies of award notices and other correspondence
	The approved Cost Transfer Request Form must be submitted to the Finance Office for review and approval.  Once approved, the Finance Office will prepare a journal entry to process the transfer.

Requests to process cost transfers over 90 calendar days from the date of the original charge will be approved only in **extenuating circumstances**. These circumstances do not include administrative oversight, staff shortages, PI unavailable, etc. These transfers will be reviewed and decided on a case-by-case basis.

<b>Cost Transfer Request Form – over 90 days</b>	Cost transfers of aggregate expenses $\geq$ \$1,000
	Cost transfers over 90 calendar days from the date of the original charge
	Salary or non-salary expense is to a federally sponsored project and/or salary is part of a previously certified effort statement
	Requires the signatures of the appropriate dean <b>and</b> the University Controller
	Supporting documentation must accompany the Cost Transfer Request Form – emails, copies of award notices and other correspondence
	The approved Cost Transfer Request Form must be submitted to the Finance Office for review and approval.  Once approved, the Finance Office will prepare a journal entry to process the transfer.

## Related Information (links provided)

[Cost Transfer Request Form](#)  
[Cost Transfer Summary Flow Chart](#)  
[Direct/Indirect charging Policy](#)

## Definitions

Terms	Definition and Examples
Allowable costs	<p>To be deemed allowable, costs must:</p> <ul style="list-style-type: none"> <li>• Be necessary and reasonable</li> <li>• Conform to any limitations or exclusions within the Uniform Guidance or in the Federal award</li> <li>• Be consistent with University policies and procedures</li> <li>• Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as an indirect cost</li> <li>• Be determined in accordance with generally accepted accounting principles (GAAP)</li> <li>• Not be included as a cost or used to meet cost sharing or matching requirements of any other federal program</li> <li>• Be adequately documented and</li> <li>• Be incurred during the approved budget period.</li> </ul>
Authorized budget	<p>Each project has a budget approved by the sponsor and the University. This is a target document indicating intended categories of fund expenditures. Depending on the sponsor's award provisions, it may be modified, as required, during project performance. Some sponsors have restrictions as to the kinds and amounts of modifications that may be made in the budget.</p>
Direct cost transfer	<p>Cost transfers are defined as after the fact re-allocations of costs, either labor or non-labor, to a sponsored project.</p>
Direct costs	<p>Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.</p>
Effort reporting	<p>Process used by the University to comply with federal regulations that require the University to certify time spent and salary charged to a sponsored project.</p>
Reasonable costs	<p>A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.</p>
Unallowable costs	<p>Unallowable cost means any cost which, under the provisions of any pertinent law, regulation, or sponsored agreement, cannot be included in prices, cost reimbursements, or settlements under a sponsored agreement to which it is allocable. These unallowable costs cannot be included in the budget. Example: Entertainment costs on federally sponsored projects are unallowable costs.</p>