

East Tennessee State University

Policy Title: Cost Transfer

Issued: 4/30/14

Responsible Official: Vice Provost for Research and Sponsored Programs

Responsible Office: Office of Research and Sponsored Programs

Policy Statement

ETSU expects that costs directly charged to sponsored project awards received by the University will comply with the cost principles outlined in the Office of Management and Budget (OMB) Circular A-81 (2 CFR 200.400).

Charges to sponsored projects must be:

- **allowable** (the cost is allowed by federal regulations, sponsor terms and conditions, including program specific requirements and University policy);
- **reasonable** (reflects whether or not the individuals concerned acted with due prudence in the circumstances);
- **allocable** (the cost has a direct benefit to the account being charged); and
- **treated consistently** (like costs in similar instances are treated consistently throughout the University).

When errors are made in the assignment of one or more costs to a sponsored project then a cost transfer (either in the form of a labor distribution adjustment or non-salary journal entry) is required to correct the error. A cost transfer may be made from one sponsored project account to another, from a sponsored project account to a non-sponsored account, or from a non-sponsored account to a sponsored project account.

ETSU is committed to ensuring that all cost transfers are legitimate, are carried out promptly upon the identification of an error, and are conducted in accordance with sponsor terms and conditions, federal regulations and University policy.

Purpose

This policy is issued to assure the integrity of the University's charges for salaries, wages, goods and services on sponsored projects transferred to and/or from a sponsored project after an initial charge elsewhere in the University's accounting system.

Definitions

Accounting Date	For the purposes of this policy, the accounting date is the end of the month of the journal date as shown in Banner.
Allocable	The cost has been incurred solely to support or advance the work of a specific sponsored research award and has a direct benefit to account being charged.
Allowable	Expenses charged to a sponsored research award must meet the following allowability criteria: <ul style="list-style-type: none">• The costs must be reasonable.• The costs must be given consistent treatment.• The cost must conform to any limitation or exclusions set forth in the sponsored agreement or the Federal Cost Principles (OMB Circular A-21).
Appropriate	If a cost meets the criteria of being allowable, allocable, and reasonable

	it is appropriate.
Cost Transfer	An after-the-fact reallocation of the cost, either salary or non-salary, to a sponsored project within a 90-calendar day period from the accounting date of a transaction.
Direct Costs	Costs that can be specifically and readily identified with a particular project or activity.
Non-Salary Costs	For purposes of this policy, non-salary costs are supplies, consultants, travel, equipment, and other non-payroll or non-stipend expenditures.
Reasonable	The cost must be able to withstand public scrutiny, i.e., objective individuals not affiliated with the institution would agree that a cost is appropriate on a sponsored research award or as a component in its Facilities and Administration Cost proposal.
Salary Costs	For purposes of this policy, salary costs are payroll expenses (salary and benefits) as well as stipends that are reported as costs to the general ledger.
Transaction	Any event that involves an exchange of funds between two parties. Examples are paying a bill to a vendor, collecting a fee, and processing an interdepartmental charge.

Procedures/Guidelines

Standard Procedures	<p>If a principal investigator determines that a cost transfer is necessary and appropriate, a Cost Transfer Request Form should be completed within 90 days of the original charge, or if at the end of a project, then 15 days prior to the final grant expenditure report due date, whichever comes first. The applicable sections of the cost transfer request form must be filled in accurately and completely.</p> <p>The reasons for transferring the expenditure must be sufficiently stated to establish that the transfer is within the approved guidelines of the budget to be charged and is in direct support of the project objectives. Where appropriate, the explanation should also indicate what steps have been taken to prevent similar errors from occurring in the future. An explanation that merely states that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient and will not be accepted.</p> <p>In addition, cost transfers from one sponsored program to another sponsored program will not be approved if the justification given is to remove cost overruns on the transferor project, as this clearly violates federal regulations. A cost transfer may be made to a sponsored project account from another sponsored project account, or to a sponsored project account from a non-sponsored account only if it is allowable, allocable, and reasonable for the sponsored account receiving the cost transfer.</p> <p>Requests should be signed by the principal investigator or designee for each sponsored program budget involved in the transaction. If this responsibility is delegated, written authorization must be maintained at</p>
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	<p>the department level. Designees should sign the PI name followed with “by” and the designee signature.</p> <p>Note: The frequency of cost transfers <i>from or to</i> a sponsored project may be an indication of poor awards management.</p>
Cost Transfers After 90 Days	Any requests for cost transfers beyond the standard 90 day allowance must be accompanied by a memo approved by the department chair providing an explanation justifying the unusual circumstance and why the need for a cost transfer was not identified in a timely fashion.
Review Financial Reports Regularly to Facilitate Timely Discovery of Errors	Grant Accounting will provide the PI with monthly financial reports and assist the PI in reviewing such reports as needed. The PI must review the monthly sponsored project reports to identify legitimate errors in a timely manner and communicate required changes to Grant Accounting promptly.
Roles and Responsibilities	
Principal Investigator / Department Designee Responsibilities	<ul style="list-style-type: none"> • Ensures that expenditures are allocable, allowable and reasonable to a specific sponsored project. • Ensures that expenditures are allocated in accordance with award budget, sponsor guidelines, and ETSU policy. • Ensures that individuals have appropriate authority to incur and allocate expenditures. • Ensures that monthly monitoring of expenditures, timely correction of errors, and reallocation of expenses, including personnel effort, occurs. • Ensures compliance with ETSU Cost Transfer Policy. • Initiates and authorizes requests for cost transfers through Grant Accounting. • Provides complete, clear and reasonable justification for transfers as required by this policy.
College / School Responsibilities	<ul style="list-style-type: none"> • Ensures that personnel responsible for financial administration of sponsored projects are familiar with ETSU Cost Transfer Policy. • Provides oversight and advice on sponsored project administration including cost transfers and personnel activity reports. • Approves transfers, and ensures 90 day compliance with ETSU Cost Transfer Policy
Grant Accounting	<ul style="list-style-type: none"> • Provides the Principal Investigator with monthly financial reports. • Advises PI, Department, and Dean’s Office on processing cost transfer adjustments and procedures. • Reviews and approves cost transfers and supporting documentation prepared by PI in accordance with ETSU policy and sponsor guidelines. • Exercises stewardship over sponsored projects in accordance with specific award terms and conditions, sponsor policy and federal regulations.

Related Forms			
Cost Transfer Request Form			
Links			
NIH Grants Policy Statement			
TBR Policy Delegation of Authority/Signature Authorization			
Revision Dates			
5/29/15			
Subject Areas			
Academic	Research	Finance	Human Resources
✓	✓	✓	✓