

POLICY ON COST TRANSFERS

Issued December 18, 1998

Revised April 15, 2010

I. PURPOSE

To establish guidelines for processing cost transfers that will comply with federal regulations.

II. EFFECTIVE DATE

This policy is effective on January 1, 1999. The policy applies to all costs incurred (or sponsored agreement budget periods beginning) on or after that date.

III. DEFINITION OF COST TRANSFER

A cost transfer is an after-the-fact reallocation of a cost from one account to another.

Cost transfers are usually implemented via: "Cost Transfer Request for Grants". This form is used for all non-payroll transfers.

Retroactive Labor Distribution Change (RLDC). This form is used for all retroactive payroll transfers.

IV. APPLICABILITY

This policy applies to cost transfers to or from federal and non-federal sponsored projects

V. ALLOWABILITY

To be allowed, a cost transfer must be timely, made under appropriate circumstances, fully explained and documented, conform with University and sponsor allowability standards (that is, allowable under the terms of the sponsored agreement), and have appropriate authorizing signatures.

Per accepted cost principles (e.g. OMB Circular A-21), only reasonable, allowable and allocable expenses may be charged to a grant. Effective budgeting, appropriate expenditure procedures, and oversight should minimize the need to transfer expenditures.

VI. TIMELINESS

Cost transfers must be timely, made as soon as possible after the original transaction and within 90 days after the run date of the report where the original transaction appears. However, all cost transfers needed to correct errors in the original charges must be made regardless of timing.

Cost transfers made after the 90-day period will require an explanation as to why the transfer was not completed within the 90-day period.

Also, please note that cost transfers moving a charge from a departmental account, which occurred in a prior fiscal year will be credited to a general institution account, not the departmental account.

VII. APPROPRIATE CIRCUMSTANCES

A cost transfer is made under appropriate circumstances when the charge qualifies as an allowable direct cost of the sponsored project being charged. OMB Circular A-21, Section D.1, states that "direct costs are those costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such [a project] with a high degree of accuracy."

Typically, cost transfers are appropriate when their purpose is:

- To correct posting, bookkeeping or account code errors in the original charges.
- To reallocate costs between accounts. Costs must be reallocated for reasons other than transferring costs from over-expended projects to projects with available funds. The costs must be allowable, be allocated to the projects based on the proportional benefit, and be clearly documented. Example: Chemicals are purchased on one sponsored project but were used on three sponsored projects. The cost of these chemicals would proportionately be distributed to the benefiting projects. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, the costs may be allocated on any reasonable basis to the benefiting projects, provided that the basis is documented.
- To transfer costs to a continuation award or among sub-accounts under the same agency award (when permitted by sponsor).
- To move an unallowable cost off a sponsored account.
- To transfer over-runs from a sponsored account to a department account, if the original charges were allowable.
- To transfer pre-award costs when the sponsor will accept such costs. Please note that, whenever possible, a pre-assigned account number should be established pending receipt of a sponsored agreement to facilitate charging pre-award expenses. This account number will require assured coverage of expenditures in case the sponsored agreement does not materialize. Circular A-110 Section .25(e)(1) generally allows pre-award costs up to 90 days prior to award for research grants and cooperative agreements unless prohibited by the sponsoring agency. For details about specific agency requirements, contact Sponsored Programs Accounting (SPA).
- To retroactively adjust salary costs between projects to reflect an individual's actual effort on the projects (RLDC form required). The need for this kind of cost transfer may arise either:
 - When an individual's distributed effort changes, and is submitted on another HR/Payroll Form after its effective date, a retroactive adjustment is necessary.

These transfers are necessary in order for payroll charges to be properly allocated to the appropriate project.

- When salary costs must be adjusted because actual effort for a project differs from the effort originally charged. OMB Circular A-21 (Section J) allows for a reasonable estimate of effort. Brandeis University has determined that changes in effort of 5% or less for the effort reporting period do not require the submission of an RLDC.

Please note that whenever a cost transfer involves salaries, care must be taken to ensure that they are consistent with certified time & effort reports. Cost transfers that contradict certified time & effort reports will be permitted only under highly unusual circumstances.

VIII. EXPLANATION & DOCUMENTATION REQUIREMENTS

The reasons for each cost transfer must be explained clearly and completely with the help of supporting documentation when appropriate in order to prevent audit disallowances. The department has primary responsibility for fulfilling this requirement and maintaining the related records.

Explanations

Great care must be exercised to ensure that cost transfers are explained clearly and completely. When transfers are inadequately documented or made for inappropriate reasons disallowed costs will be absorbed by departmental sources.

Detailed and valid written explanations must clearly explain the following:

- The nature of the original transaction
- Why the receiving account was not originally charged
- Why it is appropriate to charge the receiving account – how this expense benefits the project chart-string to be charged.

Examples of incomplete and invalid explanations that are not acceptable as stand alone explanations include the following:

Incomplete Explanations

- Administrative error or oversight
- To correct an error
- To charge correct account
- To correct salary distribution

Invalid Explanations

- Late because Principal Investigator out of town
- Administrator on vacation
- Department duties did not allow time for correction

- Work volume delayed charging the correct account

Documentation

The following documents must be attached to cost transfers:

- Transaction Report by Grant (BRTRANSC) highlighting the posting that supports the original charge(s).
- Any other documents you may consider necessary to support the explanation for the cost transfer.

IX. PROCEDURES

All transfers of expenses to or from a sponsored account after the original charge was posted are subject to the requirements of this policy. Cost transfers must be submitted to SPA for approval using the appropriate form (see FORMS section), and providing all supporting documentation.

Transfers Requiring Brief Explanations

- Transfers to correct a keypunch, account code or transposition error. The explanation at the bottom of the journal should contain the following: "To correct keypunch error: 7553 should have been 7355" or "To correct transposition error: 7017 should have been 7107."

Transfers Requiring Full Explanation

- To reallocate costs between accounts.
- All transfers moving unallowable costs off a sponsored account to a departmental account.
- Transfers of expenditures to a continuation award or among sub-accounts, under the same agency award when permitted by the sponsor. The explanation should contain the following: "To transfer project costs to continuation account or sub-accounts".
- To transfer pre-award expenditures as authorized by sponsor or approved internally by Office of Research Administration (ORA). The explanation should read: To transfer pre-award project costs as authorized by sponsor or ORA.
- To transfer overruns from a sponsored account to a departmental account, which consist of allowable charges. This transfer will constitute institutional cost sharing. Costs can be moved in sum using the same account code, department ID, but using fund 17 and program 11000 and the same project/grant number. The explanation should state: To move overrun from sponsored account to department account. (See University's Cost Sharing Policy)

Each transfer must be able to stand on its own merit and comply with the cost principles of OMB Circular A-21 (reasonable, allowable and allocable). Therefore, multiple expenses may not be put on the same form. Any cost transfer that is inadequately documented and/or justified will be returned to the department.

Transfers Involving Salaries (RLDCs)

The RLDC will only correct items that have already posted to a grant. If you want the current labor distribution changed permanently; then you need to issue a Prospective Labor Distribution Change (PLDC).

RLDC for salaries must include the employee identification number and the period the salary covers. It must include complete explanation and documentation.

X. SIGNING AUTHORITY

The Principal Investigator is the individual responsible for meeting the objectives of the project, and is legally liable for all charges made to his/her grant. To facilitate efficient progress towards meeting project objectives, the P.I. may, at his/her discretion, delegate authority for initiating, approving the acquisition of goods and services, and the transfer of expenditures to sponsored projects under their direction up to \$10,000. Anything in excess of \$10,000 will require the P.I. signature on the appropriate form.

In addition to the P.I. or designee, other required signatures are:

- Department Budget Manager for non-grant funds
- Sponsored Programs Accounting Staff
- Asst. V. P for Financial Affairs or University Controller if the cost being moved is more than 90 days after the run date of the web report where the original transaction appears.

XI. RECORD RETENTION

Per federal regulations (45 CFR 74.53 and 45 CFR 92.42), grantees are required to maintain grant accounting records including justifications and approvals for cost transfers or late cost transfers for 3 years after the submission of the final financial report. If any litigation, claims, negotiation, audit or other action involving the record has been started before the expiration of the 3 year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

XII. FORMS

- Cost Transfer Form for Grants
- Retroactive Labor Distribution Change

<http://www.brandeis.edu/financialaffairs/forms/spa-forms.html>

XIII. CONTACTS

If you have any questions about this policy, how to treat a specific cost, or need information, please contact the Director of Sponsored Programs Accounting at x6-4484.

<http://www.brandeis.edu/osp/caspolicies/ct.html>