

503-005-B: Sponsored Programs Cost Transfer Procedure

This procedure, in combination with the Allowable Cost Procedure (503-005-A) implements CSU systemwide policy for Sponsored Programs Administration: [Sponsored Programs Allowable Costs](#) (ICSUAM #11003.05).

Summary

In compliance with the above referenced policy and procedure, it is the responsibility of the principal investigator (PI) to ensure that any necessary cost transfers are allowable and allocable, and are performed within a reasonable period after the original expenditure is incurred or an error is discovered.

A cost transfer is any transfer of expenditures to or from a sponsored project to align costs with the actual benefit received on the project. The request for a cost transfer should be processed in rare circumstances, as the Project Investigator (PI) is responsible for ensuring that the original transactions are appropriately and accurately charged to the correct project. The University Corporation (Corporation) recognizes that there will be certain circumstances when expenditure transfers must be done to correct charges on sponsored projects. Expenditure transfers require the [Revenue and Expense Transfer](#) Form.

Most governmental entities require that cost transfers be done timely. National Institutes of Health (NIH), define this as within 90 days (see Guidelines), and the Corporation has adopted this guideline for timeliness.

This procedure is not applicable to the following:

1. Expenditure transfers made to and from Funds/Projects due to internal accounting processing errors.
2. Transfers made between account codes on the same Project code.
3. Cost transfers for the allocation of costs benefitting more than one sponsored project for the same purpose or program.

Adherence to this procedure is necessary, as inappropriate or poorly documented cost transfers can result in federal regulators denying reimbursement of questionable charges or imposing other sanctions on the Corporation, such as fines or loss of certain authorities.

Process

The Corporation/Post-Award Administration will review the cost transfer for compliance with University and Corporation policies and procedures and any applicable federal regulations.

Cost transfers made for any of the following reasons will not be considered appropriate or compliant with federal regulations or Corporation policy:

- Cost transfers used as a cost management strategy
- Cost transfers between sponsored projects to avoid or eliminate cost overruns
- Cost transfers for any other reasons of convenience
- Cost transfers solely for the purpose of utilizing unexpended funds of a sponsored award
- Cost transfers that circumvent pre- and/or post-award's restrictions/procedures
- Cost transfers that result from charging expenses to an inappropriate grant temporarily while waiting for another grant account to be set up

All cost transfers submitted will be subject to thorough review by the Corporation/Post Award Administration and will be processed as indicated below:

- 1) The PI is responsible for requesting expenses to be transferred to or from a sponsored project by completing a Revenue and Expense Transfer Form. If the request is made within 90 days of the original transaction the Reason for the Transfer section of the form must be completed. If the request is after 90 days of the original

transaction there may be more justification required. The request is submitted to the Corporation/Post-Award Administration for review and approval.

- 2) If the Corporation/Post Award Administration determines that a cost should be transferred from or to a sponsored project, he/she will notify the PI of the need for the cost transfer. If the PI approves, he/she will initiate a Revenue and Expense Transfer Form and forward to the Corporation for review/approval.
- 3) If the request is not approved, the Corporation/Post Award Administration will contact the PI to discuss the reason for the transfer. If it is still not appropriate, the PI can provide an additional and appropriate explanation, amend and initial the form and document the conversation.

Roles & Responsibilities

PI: The PI is responsible for notifying the Corporation/Post Award Administration and completing the Revenue and Expense Transfer Form as soon as the need for a cost transfer is discovered.

Corporation/Post Award Administration: The Corporation/Post Award Administration may initiate a cost transfer, as follows:

1. The Corporation/Post Award Administration may initiate an expense transfer if an internal accounting or data entry error is discovered. The Corporation/Post Award Administration will notify the PI or designee when an error is being corrected.
2. The Corporation/Post Award Administration is responsible for notifying the PI or designee if they discover that a Revenue and Expense Transfer Form is required for any other cost transfers. The PI or designee will complete the Revenue & Expense Transfer Form and send to the Corporation/Post Award Administration for review and approval.

Dean/Department Chair: For cost transfers submitted later than 90 days from the original transaction, PI or designee will send form to the department chair or dean for approval, and include on the Revenue and Expense Transfer Form an explanation for the lateness of the correction. See guidelines for more information.

References

For Sponsored Programs Policy Definitions, refer to [ICSUAM Sponsored Programs Policy \(Section 11000\)](#), SP Definitions Policy #11001.01 and/or CSUMB SP Policy Definitions #501-001-A.

503-005-A Allowable Cost Procedure – Direct & Indirect

Guidelines

Corporation Guidelines:

It is critical that all sponsored project expenditures be reviewed on a regular, monthly basis to ensure that all charges, salary and non-salary, are correct and appropriate. With respect to sponsored projects, it is the responsibility of the principal investigator (PI), and the PI's designee, to authorize transactions and review the expenditure activity. This review should include the determination that the charges are reasonable, allowable, allocable, and directly support the scope of work for that project.

The PI or designee must determine if the reason for the cost transfer is “appropriate” as defined by federal regulations and guidelines when the cost transfer involves a federal-or state-sponsored project. When the cost transfer does not involve costs associated with a federally or state-funded project, the governing documents for the sponsored project (i.e., the contract or agreement) must be referenced to determine the appropriateness of the cost transfer.

The costs being transferred to and from sponsored projects must meet all of the requirements as defined in CSU Policy and Corporation Procedure #503-005-A, Allowable Costs: Direct and Indirect – including the requirement for the transferred cost to be reasonable, allocable, allowable and consistent.

Timeliness

Cost transfers should be processed as soon as possible after the original transaction, but in any case **not later than 90 days** after the date of the original transactions and no later than 45 days past a sponsored project end date to ensure processing prior to final invoice submission. Transfers made after this period of time raise questions concerning the propriety of the transfer and could potentially heighten the level of scrutiny applied to all cost transfers campus-wide. Requests for transfers made after 90 days will be considered only under extenuating circumstances.

Salary Cost Transfers

The distribution of salary charges for University Corporation personnel should represent a reasonable reflection of the employee's effort. These distributions should be reviewed on a regular basis and, if changes are anticipated, PIs or department administrators must prepare and submit an *Employee Status Form* or submit a transfer request to Grants & Contracts office, ideally in conjunction with the change in activities. In order to comply with federal requirements, this form should be processed within 90 days after the expense was originally recorded in the financial system.

Every effort should be made to process payroll adjustments prior to the close of the fiscal year in which the original expense was incurred. Every attempt should be made to process adjustments of allocations of salaries and wages before effort has been certified by the department or during the effort certification process. By reviewing salary distributions on a project regularly, the salary distributions will, in most circumstances, be accurate and should coincide with the certified effort distributions. In some cases, cost transfers will need to be made subsequent to effort certification to ensure salary allocation and effort match; however, retroactive effort adjustments after certification are problematic because they raise concerns regarding timeliness and the reliability/validity of the certification process. Requesting retroactive payroll adjustments that cross fiscal years is problematic for a number of reasons (e.g., accounts may be closed or deleted, employee benefit rates may have changed, and financial reporting can be distorted).

Salary cost transfers must be initiated by the PI and must be processed by submitting the *Revenue and Expense Transfer Form* with appropriate documentation to the Post Award Office. This form is available on the **University Corporation's** website, <https://csumb.edu/corporation>. Relevant information required for each form includes: the account number the funds will be transferred from, the receiving account number, amount to be transferred, reason and explanation for the transfer, and proper authorization by the requestor and approver (PI).

The required documentation for salary transfers must come from the University Corporation's Payroll Office. Only a certified payroll report provided by the Payroll Office will be accepted as appropriate backup documentation. An email can be sent to the Payroll Office listing the relevant chartstring information being requested, such as employee name, pay period, fund, department ID, and project number. The dollar amount must match the dollar amount on the Revenue and Expense Transfer Form. A cost transfer form will not be approved if 1) the required authorized signatures and backup documentation are not provided and 2) there are insufficient funds available on the project.

Non-Salary Cost Transfers

Non-salary cost transfers follow the same process as described above for salary cost transfers except different supporting documentation is required. Supporting documentation must include a printout of the transaction screen from the PeopleSoft Finance system that shows the original charge and confirms that the proper accounts have been identified for the transfer.

For both salary and non-salary transfers, the documentation must include: a description of the expenses to be transferred including the explanation for why and when the original charges were incurred, an explanation why the receiving account was not originally charged and why it is appropriate to charge it now along with how it is allocable to that account, and steps that have been put in place to prevent future need for correction.

Internal Review of Cost Transfers

The following are typically considered appropriate circumstances for cost transfers, yet still will be subject to thorough review by Corporation/Post Award Administration before approval:

Cost transfers to correct clerical errors

When a clerical or technical error results in costs being allocated to an incorrect funding source, the responsible department administrator may initiate a cost transfer using the cost transfer process to correct the error. The PI will be notified as appropriate. As stated in the University Corporation policy and federal guidelines, the explanation for these circumstances cannot merely state that the transfer was made “to correct an error” or “to transfer to the correct project”. Additional explanation will be required, such as how or why the error occurred, and how it will be resolved so the same error does not occur again.

Cost transfers to reallocate effort to reflect actual charges

It is acceptable to request a salary cost transfer if the change in salary is to correct the actual effort during the time & effort period and if the requested change complies with federal/funder and institutional requirements. These requests must occur prior to signing the Effort Reporting Certification.

Cost transfers for the removal of unallowable expenses

It occasionally may be necessary for the responsible administrator to initiate a cost transfer to remove an expense item deemed to be unallowable based on government regulation and/or a grant award agreement. When this situation occurs, the department administrator may initiate the cost transfer to the PI’s departmental account using the cost transfer process. The PI will be advised of the transfer promptly, and further information concerning the cost will be requested. The reason the cost was determined to be unallowable will also be discussed at this time.

Cost transfers of out-of-period charges

The responsible department administrator may initiate cost transfers using the cost transfer process to move out-of-period costs that were charged to a fund for a previous budget period, when the costs should have been charged to the fund associated with a subsequent budget period (or vice versa), as long as the project period of the grant has not ended. This type of action is not classified as a cost transfer between sponsored projects, it is a transfer between years of the *same* sponsored project.

Cost transfers for the allocation of costs benefiting more than one project

The requirement to initially charge costs to the appropriate funding source should always be followed unless the costs benefit two or more projects or activities that are closely related, and the proportion of benefit received by each project cannot be specifically determined in advance. When this situation exists, costs may be transferred to the benefiting projects when the transfer meets all of the following conditions:

- The initial charge could appropriately have been allocated to either activity/account
- The method of allocating the costs between the projects is reasonable and documented
- The transfer is supported by the approved documentation as well as a full explanation and justification for the transfer
- The transfer is reviewed and approved by the Corporation/Post Award Administration

Cost transfers from a non-grant account

In limited situations, charging costs to a non-sponsored funding source initially and later reallocating these charges to sponsored projects may be necessary. However, permission to charge a non-grant funding source must first be granted by the Corporation/Post Award Administration before incurring costs. This procedure should only occur in unusual or special circumstances. Once the grant is set up and ready to reflect all of its charges, the responsible department administrator should follow the cost transfer process to move the costs.

Cost Overruns

In order to meet reporting deadlines, a cost transfer may be initiated to process cost overruns on a sponsored project. Cost transfers made to process cost overruns may not be made to another sponsored project, and must comply with institutional policies and guidelines. When this occurs, the PI will be advised of the transfer promptly and the specific details of the cost transfer will be discussed at that time. (See: *SP Administration Policy, 502-000-A, Section IV.F.*)

Additional Approvals Required for Cost Transfers Over 90 Days

Approval for cost transfers submitted later than 90 calendar days will only be granted in extenuating circumstances. Requestors are required to submit explanations for lateness (i.e., over 90 days) to Corporation/Post Award Administration for review when submitting the Revenue and Expense Transfer Form and assembling backup documentation.

The responsible person or PI will also need the signature approval of their Chair and Dean or Vice President on the transfer form. Extenuating circumstances DO NOT include PI or responsible administrator absences, nor shortage or lack of experience of staff.

Examples of acceptable extenuating circumstances for cost transfers over 90 calendar days:

- Late issuance of a notice of grant award or full execution of a subcontract subsequent to the start of the budget year or other period of performance; supporting documentation required.
- Failure of another department to take action, e.g., on a properly submitted payroll distribution change request; supporting documentation required.

It is the responsibility of the Corporation/Post Award Administration and the PI to administer and exercise stewardship over externally funded projects in accordance with policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

NIH Guidance (for NIH funded projects) from the NIH Grants Policy Statement

7.5 Cost Transfers, Overruns, and Accelerated and Delayed Expenditures

Cost transfers to NIH grants by recipients, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors¹ should be accomplished within 90 days of when the error was discovered. The 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 of the recipient, consortium participant, or contractor. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.

Recipients must maintain documentation of cost transfers, pursuant to 45 CFR 75.364, and must make it available for audit or other review (see [Administrative Requirements-Monitoring-Record Retention and Access](#)). The recipient should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, recipients are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. NIH also may require a recipient to take corrective action by imposing additional terms and conditions on an award(s).

Except related to cost transfer from: 7.6 Allocation of Costs and Closely Related Work

A cost that benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved may be allocated or transferred to the benefiting projects on any reasonable

¹ This is an error that originates in the PIs department or office and is not the same as an internal accounting error or data entry error.

basis as long as the costs charged are allowable, allocable, and reasonable under the applicable cost principles and the recipient's financial management system includes adequate internal controls (for example, no one person has complete control over all aspects of a financial transaction)