



## **COST TRANSFERS INVOLVING SPONSORED PROJECTS**

### **Uniform Guidance Requirements and Seattle University Procedures**

Responsible Offices: Controller's Office, Office of Sponsored Projects (OSP)

Effective Date: January 27, 2020

Uniform Guidance: **CFR Title 2 Part 200**

#### **Purpose**

This document describes the policy and procedures regarding cost transfers (journal entries) when they involve sponsored projects. The purpose is 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. Additionally, this policy is issued to ensure compliance with sponsor terms and conditions, regulations and University policies.

The University is committed to ensuring that all cost transfers (either in the form of a labor distribution adjustment or non-salary journal entry) are legitimate and are conducted in accordance with sponsor terms and conditions, regulations and University policy.

#### **Cost Transfer Definition**

A cost transfer is an after-the-fact reallocation of costs associated with a transaction from one activity account to, or from, a sponsored project activity.

#### **Policy Statement**

Costs should be charged directly to the project activity account for the benefiting sponsored project when first incurred. The Principal Investigators (PI) and Activity Managers are responsible for careful monitoring for compliance with sponsor terms and conditions, regulations and University policy. When it is necessary to transfer a cost to, or from, a sponsored project after the initial recording of that cost, the Principal Investigators (PI) and Activity Managers should request transfers to correct errors promptly.

Cost transfers should be prepared, and submitted, within 90 days from the end of the calendar month in which the transaction appears on the award except in cases where the sponsor's (federal or non-federal) terms and conditions are stricter than Seattle University's policy.

- *Extra Guidance for DHHS, NIH Awards:* According to the U.S. Department of Health and Human Services (DHHS) and the National Institutes of Health (NIH) grants policy statements, untimely cost transfers (greater than 90 days) should not occur on grants unless the grant making organization has given prior approval for a longer period.
- Cost transfers to correct an error must be completed regardless of timeframe, if the correction benefits the sponsored award (in the Sponsor's favor).



Transfers of costs to any sponsored project are allowable only where there is direct benefit to the sponsored project being charged. Cost transfers should not be used as a means of managing awards.

Seattle University expects that all costs charged to federally sponsored awards received by the University will comply with the cost principles outlined in the OMB Uniform Guidance 2 CFR Part 200, as applicable, and the Unallowable Cost Categories Policy.

### **Procedures**

When an error is discovered on a sponsored project account, the PI must work with the Activity Manager to determine the appropriate steps to correct the error. Contact the Grant Accountant if there are any questions.

When a journal entry is required to transfer a cost to a sponsored project, it must be submitted with a Cost Transfer Justification Form to the Grant Accountant as soon as the error is discovered. Justification will not be required for cost transfers to move expenditures off of project activities, however, the Grant Accountant may request similar information when processing.

The Cost Transfer Justification Form contains a complete explanation of how the error occurred and a correlation of the charge to the project to which the transfer is being made. See documentation guidance and cost transfer FAQs for further guidance

- Cost transfers requiring sponsor prior approval must be submitted to the Office of Sponsored Projects with an Institutional Prior Approval Form for institutional approval and submission to the sponsor.
- Any cost transfers submitted after 90 days from the end of the calendar month in which the transaction appears on the award will be executed at the discretion of the Grant Accountant, in consultation with OSP. It should be noted that approval will only be granted under extenuating circumstances and confirmation of approval by the sponsor, when applicable.

The Cost Transfer Justification Form, is signed by the PI and Activity Manager and submitted to the Grant Accountant for final review and approval.

### **Related Policies & Forms**

- Unallowable Cost Categories Policy
- Journal Entry Form
- Cost Transfer Justification Form
- Institutional Prior Approval Form
- Change of Status Form



## Cost Transfer Documentation Guidance

The Cost Transfer Justification Form must be completed for a cost transfers to a sponsored project account. The explanation for the cost transfer must be clearly stated and sufficient for an independent reviewer (i.e. an auditor) to understand the transfer and conclude that it is appropriate. According to Federal regulations, "An explanation which merely states that the transfer was made 'to correct an error' or 'to transfer to correct project' is not sufficient."

The following are the questions included on the Cost Transfer Justification Request form along with a brief description of what should be included in the response to the question.

Note: Questions 1 - 3 are always required. Question 4 & 5 are required when the cost transfer is not completed within 90 days of the original transaction.

### **Question 1: Is this a salary transfer? Has this person certified their effort report for the period in which the transfer occurs?**

The response should identify the person for whom the transfer is made and if their time and effort was already certified for the period. This helps identify where we will need to also initiate a new time and effort certification.

### **Question 2: Why was this expense originally charged to the account from which it is now being transferred?**

The response should explain why the cost was originally charged to the wrong account. For example, this may have been the result of a keying error or misinterpretation of instruction.

### **Question 3: Why should this charge be transferred to the proposed receiving sponsored project account?**

The response should describe why the particular cost is necessary for the sponsored project. For example, explain what item, service or faculty/staff time is specifically necessary for the project.

### **Question 4: Why is this cost transfer being requested more than 90 days after the original transaction?**

The response should indicate why it took more than 90 days to determine that a cost transfer was necessary.

### **Question 5: What steps will be taken to eliminate future needs for late cost transfers of this type? Is this action being taken?**

The response should describe how processes and procedures will be modified in the department to prevent a similar cost transfer in the future.



Listed below are some examples of cost transfer responses that do not meet the requirements described in the [University's Cost Transfer Policy & Procedures](#), a description of the improvements needed in the documentation, and a suggestion as to how the response might be improved to meet the requirements:

**Questionable explanation: Transfer of supplies that were charged to the department account in error.**

Issue: This explanation does not adequately explain why the wrong account was charged and why/how the charge is appropriate to the account being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the account being charged is appropriate and how the amount being transferred was determined.

Acceptable explanation: The supplies being transferred were purchased using a procurement card (p-card). The administrative assistant did not review the p-card transactions by the deadline, causing the transactions to be expensed to the department account. Going forward, the administrative assistant will review all p-card purchases and assign the correct account number, if applicable, to be charged prior to the deadline.

**Questionable explanation: Transfer of overage to related project.**

Issue: This explanation seems to indicate that a deficit is being moved from one grant to another, which is prohibited. Costs should be allocated according to the benefit to the project. Costs that are incurred on related projects should be pro-rated at the time the costs are incurred. Charging costs to one sponsored project with the intention of repaying another sponsored project is not appropriate.

Acceptable explanation: The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects; thus 50% of the cost of these items is being transferred.

**Questionable explanation: To correct account incorrectly charged due to clerical error.**

Issue: Insufficient explanation of why and how the clerical error occurred and why the error was not corrected earlier. In general, this explanation is only adequate if a transposition error occurred and such circumstances should be included in the description.

Acceptable explanation: The research assistant in the lab who ordered the supplies used an account number of a project that was terminated. He has been instructed to use the new account number. In the future, all supply orders will be reviewed and approved by an appropriate department administrator prior to submission of the order so that errors can be prevented.

**Questionable explanation: Payroll Change Form was not processed in time.**

Issue: The explanation does not adequately address why the Payroll Change Form was not processed in time. The description should be expanded to better explain the circumstances



of the delay in processing the appointment and the specific plan to avoid such occurrences in the future.

Acceptable explanation: The administrator was informed of a faculty member's effort distribution change after the deadline for payroll appointments for the January payroll. The faculty member has been requested to communicate change in effort in a timelier manner in the future in order to avoid such circumstances.

**Questionable explanation: To charge a portion of the lab technician's salary to the project.**

Issue: The reason for the transfer is missing and there is no indication of why the payroll appointment was incorrectly made at the time the charge was generated. The description should be expanded to include a description of the individual's role on the project, the portion of salary being moved, and how the portion of the salary was determined.

Acceptable explanation: Transfer 50% of the lab technician's salary to Dr. X's project. This individual performed experiments with mice and split his time equally between Dr. X's NIH project and his NSF project. We have talked with the lab technician and Dr. X to ensure that the tech's distribution of time is correctly accounted for on their payroll assignment or timesheets and the importance of sharing more information about the projects in the future, which will better ensure that no such errors will occur in the future.

**Questionable explanation: Move charge from department.**

Issue: The reason for the transfer is not stated. The description should be expanded to explain how the charge benefits the grant being charged and why the charge was not originally posted to the grant.

Acceptable explanation: The start date of the grant was December 1. However, the account number was not established in the accounting system until January 15. The PI needed to purchase some materials to begin work on the project in December, thus the costs for materials were charged to the department until the account was established. In the future, we will request an advance account for such charges.

**Cost transfer documentation should include a justification that clearly shows:**

1. How the expense directly benefits the receiving project
2. How the expense is allowable on the receiving project (e.g., attach documentation of sponsor approval)
3. The allocation methodology used if transferring expenses to multiple projects
4. The reason the expense was charged incorrectly to the first activity account code
5. That any systematic reasons which might cause this problem to be repeated have been addressed
6. The reason for any delay in the timely processing of the transfer



## Cost Transfer FAQs

### **Where can I find the Justification form?**

The Cost Transfer Justification Form (CTJF) is available on the OSP site.

<https://www.seattleu.edu/media/office-of-sponsored-projects/Cost-Transfer-Justification-Form.pdf>

### **Will justification be required for costs transferred off sponsored project activities?**

Justification will not be required for cost transfers to move expenditures off of project activities, however the Grant Accountant may request similar information when processing. It is important though, that if a cost is determined to be unallowable, that it is moved off immediately.

### **Who approves the appropriateness of an expenditure?**

A delegated activity manager may approve a cost transfer, but it is expected that the PI is aware of the expenditure and concurs with the cost transfer. The Grant Accountant makes final reviews and approvals.

### **What should I do with expenditures for an award where the official award agreement hasn't arrived yet?**

If appropriate, an advance account can be requested and established. In cases where an Advance would not be appropriate, the expenditures should be charged to and remain on a departmental account until the award notification is received. It would not be appropriate for the expenditures to be charged to another sponsored project account.

### **Do internal charges require a justification form?**

No. Costs related to internal services are not considered cost transfers. As a reminder, service center charges must adhere to the University Policy.