



New Jersey Institute of Technology
University Policies and Procedures

Number: 12-04
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Subject: GRANTS AND CONTRACTS - COST TRANSFER

A. OVERVIEW

Cost transfers of direct costs to or from sponsored program funds will be performed in accordance with Office of Management and Budget (OMB) Circular A-21; OMB Circular A-110; OMB Circular A-133; and New Jersey Institute of Technology policies and procedures.

In order to maintain consistency in the treatment of cost transfers, this policy is applicable to all grants and contracts regardless of the source of funding.

B. PURPOSE

Cost transfers are sometimes necessary to correct bookkeeping or clerical errors in the original charges and to allocate closely related work that may support more than one project. However, frequent, late, and inadequately explained transfers – especially those involving projects with cost overruns or unexpended balances – raise serious questions about the propriety of the transfers and call internal fiduciary controls into question. This may result in audit disallowances and monetary paybacks including penalties and fines.

The purpose of this policy is to ensure that:

- The reassignments of charges involving a sponsored project fund are legitimate and compliant with the requirements contained in Federal OMB Circulars and sponsoring agency guidelines.
- Cost transfers from one fund to another are properly and completely explained and justified in order to ensure their allowability and allocability.
- Cost transfers are accomplished in a timely fashion.

C. DEFINITIONS

OMB Circular A-21	Principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. http://www.whitehouse.gov/OMB/circulars_a021_2004/
OMB Circular A-110	Standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations. http://www.whitehouse.gov/omb/circulars/a110/a110.html

OMB Circular A-133	Standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments, and nonprofit organizations expending Federal awards. http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf
Allocable	A cost is allocable to a project if the goods or services involved are chargeable or assignable to such project in accordance with the relative benefits received by the project.
Allowable	A cost is allowable to a project if it: (1) is reasonable, (2) is allocable to the specific project, (3) is treated consistently in like circumstances, and (4) conforms to any limitations set forth in the sponsored agreement.
Consistently Treated	A cost is consistently treated if the University's practices used in estimating costs for a proposal are consistent with cost accounting practices used by the University. All costs incurred for the same purpose, in like circumstances, are either direct costs or Facilities and Administrative (F&A) costs only.
Cost Transfer	The reassignment of an expense to or from a sponsored project after the expense was initially charged elsewhere, in order to align costs with the actual benefit received on the sponsored project. Cost transfers include reassignments of salaries, wages and other direct costs.
GCA	Grant and Contract Accounting Department
PI	Principal Investigator
Reasonable	A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amounts involved therefor, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
SRA	Sponsored Research Administration

D. COST TRANSFER

Only allowable costs are eligible for transfers. The basic considerations for cost transfers are that they must be:

- Reasonable,
- Allocable,
- Consistently Treated, and
- In conformity with award limitations.

Following are some examples of typical circumstances in which cost transfers are allowed:

- Correction of a clerical error.
- Reallocation of costs when multiple projects are benefited.
- Transfer of pre-award costs from departmental or University funds to a sponsored project fund.

E. PROCEDURES

It is the responsibility of the PI to review expenditure activity regularly for allowability under the terms of a sponsored agreement.

Cost transfers between funds/accounts must be made promptly after the need for the cost transfer is discovered. The appropriate paperwork to correct the error must be submitted as promptly as possible to SRA for salary cost transfers and to GCA for all other cost transfers. All transfer requests must contain sufficient documentation to explain why the error was made and why this expenditure is appropriate for the project. Entries made long after the original charge raise serious questions concerning the propriety of the entries and are subject to cost disallowance.

It is unacceptable to transfer expenses solely based on budget availability.

Under no circumstances may costs that benefit one sponsored project be charged temporarily to another sponsored project.

Timeliness

Cost transfers must be processed within 90 days after the month in which the original transaction occurred. Requests to transfer expenditures to a sponsored project after this time will be subject to additional verification and documentation.

The PI must monitor salaries to ensure the effort is allowable and reasonable and falls within the sponsored project period. The PI should establish salary charges proactively and not rely on retroactive adjustments.

Retroactive salary transfer requests must be thoroughly documented. Salary charges must be removed from a sponsored project as soon as the error is discovered. However, a salary charge that is older than 90 days will not be moved to a sponsored project without sufficient explanation and documentation to address the late change and the reason for the change.

A compliant time certification process (also known as effort reporting) is dependent upon accurate salary distributions.

A correction made more than 90 days after the month in which the charge appears in Banner Finance is considered a late cost transfer. Late cost transfer requests should be rare and be based on extraordinary circumstances. For a late cost transfer to be considered, the request must include a detailed justification for the lateness of the transfer. This justification also must explain the delay in processing the correction.

Absence of the PI or responsible administrator or inadequate staff support are not acceptable justifications.

Explanation/Justification and Documentation Requirements

All cost transfer requests, including salary transfers, must be supported by a written justification signed by the PI. The purpose for each cost transfer and the reason it is necessary must be clearly explained with supporting documentation. GCA has primary responsibility for approving cost transfers and maintaining the related records. GCA may request additional supporting documentation.

Cost Transfer Request Documentation Requirements and Examples

All cost transfers involving a sponsored project are subject to the following documentation requirements:

- Copy of Banner Finance screen showing the original charge.
- Copy of documentation that establishes the validity of the charge: purchase orders, receipts, or other supporting documentation.
- An explanation of the reason the original charge was not made to the appropriate sponsored project.
- A justification for why this charge is appropriate for the project.
- An explanation for the lateness of the request if the request is made more than 90 days after the original charge was posted.
- The signature of the PI or his/her designee authorizing the transfer. When the fund to which the cost is being transferred is not the one for which the PI or authorized administrator has signatory authority, then the PI or the responsible department head for the fund now being charged is required to sign the cost transfer request.

The documentation for cost transfers must be retained for the period stipulated in University Policies and Procedures No. 12-07, "Records Retention."

F. ALLOWABLE COST TRANSFERS

Cost transfers may be allowable:

- To correct clerical errors, such as transposition of numbers; however, a specific explanation must be provided.
- To reallocate salary and fringe expense to reflect actual effort.
- To move sponsored project fund overdrafts to other department or University funds.
- To correct misallocation of expenses.
- To correctly categorize the nature of an expense (e.g., supplies vs. equipment).

G. UNALLOWABLE COST TRANSFERS

Cost transfers are unallowable:

- For the purpose of utilizing unexpended sponsored project fund balances.
- For the purpose of reducing an overdraft on a sponsored project fund.
- For the purpose of charging an expense exclusively to a single award when the expense clearly supported other activities or projects.
- If the expenses are not a direct benefit to the project.
- To assign charges to an award before the cost is incurred.
- For the purpose of convenience.
- To transfer costs incurred prior to the start date of a sponsored project without the awarding agency approval.
- To transfer costs incurred after the end date of a sponsored project.

Review:

Holly C. Allen 10/17/11
General Counsel Date

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President Date

Approval:

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Vice President for Date
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