



Cost Transfer Policy

Revised: August 2012

POLICY

A *Cost Transfer* is any adjustment of expenditures to a sponsored project to align costs with the actual benefit received on the sponsored project. To provide the monitoring required by federal regulations (OMB Circulars A-21 and A-110) and to ensure good stewardship of sponsored projects, SF State will review all cost transfers for allowability, allocability, reasonableness and proper compliance. SF State has established this policy to delineate when it is appropriate to request a cost transfer and to identify the allowable mechanism to do so for both personnel and non-personnel costs. Cost transfers must be completed within 90 days from the time of the original transaction. A justification and proper documentation must be provided to the Office of Research and Sponsored Programs (ORSP) in order to process the transaction.

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

SCOPE

SF State is responsible for ensuring that all transactions are accurately and appropriately charged to the correct project based on the benefit to the project and consistent with federal regulations including *OMB Circular A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions, Section (C)(4)(b)* which states:

Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

SF State will not allow cost transfers made for these purposes, but recognizes that there will be certain circumstances when cost transfers must be done to correct charges on sponsored projects.

The Principal Investigator (PI) is ultimately responsible for ensuring that all transactions are accurately and appropriately charged to the correct project based on the benefit to the project and are consistent with federal regulations. They are also responsible for ensuring that cost transfers are done in a timely manner. Several government agencies, such as National Institutes of Health (NIH), define this as within 90 days of the error being discovered.

The NIH Grants Policy Statement (10/2011) states the following with respect to the timing for cost transfers:

Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors 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 grantee, 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.

SF State requires cost transfers to be requested no more than 90 days from the original expenditure date. Transfers to move costs from a sponsored project to a non-sponsored project can be made at any time and are not subject to the 90 day restriction.

This policy is not applicable for cost transfers initiated for the following reasons:

- Transfers made to and from projects due to central administration processing errors, e.g. payroll posting incorrectly, a data entry error, etc.
- Transfers made between expense accounts on the same sponsored project

Personnel Cost Transfers Related to Time and Effort Reporting

The only acceptable reason for transferring personnel costs to and from sponsored projects is to align the costs with the actual effort devoted to the project and the effort certification. During the time and effort certification process, salary charged to sponsored projects will be reviewed for accuracy. If the actual effort committed for the period differs from the report, the report should be updated and signed and a cost transfer request should be completed. Once effort has been certified and the appropriate transfers completed (if necessary), no additional cost transfers should be processed relating to the certified effort period. Any exceptions will need to be approved by ORSP and a revised effort certification will be required. Personnel cost transfers should not be requested to cover a deficit on another sponsored project or to transfer costs to spend a remaining balance of a sponsored project.

Reasons for a Cost Transfer

The following examples illustrate acceptable and unacceptable reasons to request a non-personnel cost transfer:

Acceptable reasons for a cost transfer:

- To correct a departmental, clerical, or bookkeeping error on the original transaction forms such as an accidental transposition of chartfield numbers
- To move expenses charged to a departmental discretionary account to a sponsored project account if a pre-award spending account was not established for that project

Unacceptable reasons for a cost transfer:

- To transfer costs from a sponsored project in deficit to another sponsored project
- To transfer costs to a sponsored project to spend the remaining funds

ORSP will review and approve cost transfer requests for allowability, allocability, reasonableness and adherence to the terms and conditions of the award as well as SF State policies and procedures. If the cost transfer is not appropriate, it will be returned to the submitter indicating the reason for rejecting the cost transfer and requesting additional information as necessary.

Written Justifications for Cost Transfers

Since the federal regulations assume that cost transfers are exceptions, it is imperative to appropriately justify in writing on the form used to process the transfer (the Journal Entry form) the reason why the cost was not charged to the correct project originally and how it benefits the project to be charged. This justification should be documented and will serve as an audit source document.

The following are examples of **inappropriate** justifications:

- Simply stating, "To correct an error" without including additional detail about the error
- Charging a sponsored project for a bulk purchase and moving costs to the appropriate sponsored projects
- Charging costs to another sponsored project in anticipation of future funding

- To move costs to a sponsored project with available budget

Cost Transfers after an Award has Terminated

Cost transfer requests made after an award has terminated must be received by ORSP within 45 days after the date the award ends. These transfers should be processed and uploaded into the Common Financial System (CFS) within 15 days and no more than 60 days after the award ends. Final financial reports and final invoices are sent to sponsors within 90 days after an award ends. Cost transfers have to be posted to CFS before the final financial statements are submitted.

Cost Transfers that are NOT approved

If a cost transfer is not approved, the cost may be transferred to a departmental discretionary account, or another account indicated by the PI. The **Department Chair** may be ultimately responsible for the cost of unallowable cost transfers.

RELATED DOCUMENTS

- [OMB Circular A-21, "Cost Principles for Educational Institutions"](#)
- [OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Higher Education, Hospitals and Other Non-Profit Organizations"](#)
- [NIH Grants Policy Statement](#)