

Cost Transfers on Sponsored Agreements Effective July 1, 2007



Overview:

The purpose of this policy is to assist the faculty in the management of their grants and to allow for the reassignment to a sponsored agreement of an expense initially charged against another source of funds in compliance with federal regulations. CSM expects its faculty, staff and students, when dealing with federal and other sponsored projects, to comply with all government and sponsor rules and regulations and follow established standards for determining when it is appropriate to initiate a cost transfer. CSM expects that costs be charged to the appropriate award when first incurred but acknowledges that there are circumstances where it may be necessary to transfer expenditures to another award subsequent to the initial recording of the charge

These procedures have been established in accordance with the Office of Management and Budget (OMB) Circular A-21 (A-21) [Cost Principals for Educational Institutions](#) which provides guidance for determining the costs applicable to sponsored agreements. A-21 requires the recipient institution to ensure that costs charged are allowable.

Definitions:

Cost transfer:

- an after-the-fact reallocation of the cost associated with a transaction from one fund/org/account to another. Cost transfer = journal entry for the purposes of this policy.

Allowable costs:

Allocable

- Incurred solely to advance the work under the sponsored agreement;
- Benefits to both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods;
- Necessary and deemed to be assignable in part to the sponsored agreement.

Reasonable

- Necessary for the performance of the sponsored agreement;
- Determined by arm's length bargaining of a prudent person;
- In accordance with the sponsored agreement terms and conditions;
- Consistent with established Institute policies and practices.

Consistently treated

- Uniformly applied across all funds;
- Incurred for the same purpose, in like circumstances and are treated as either direct costs or indirect (facilities and administrative) costs.

Direct costs:

- costs that can be identified specifically with a particular sponsored project;
- costs that can be directly assigned to a project with a high degree of accuracy.

Facilities and Administrative (F&A) or indirect costs:

- costs that are incurred for common or joint objectives, and therefore cannot be identified specifically with a particular sponsored project.

Sponsored project:

- externally funded activity governed by specific terms and conditions;
- separately budgeted and accounted for;
- grant, contract, cooperative agreement.

Procedures:

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness. Cost transfers should be initiated as soon as possible after the original transaction, preferably within 90 days of incurring the expense. Requests for transfers after 90 days will be considered after careful review. CSM is obligated to immediately remove incorrect charges made to sponsored funds, regardless of time frame.

Typically, cost transfers are appropriate when they are allowable direct costs of the sponsored project and their purpose is to:

- correct errors in processing the original charges;
- move costs between funds for closely related work (as defined by the project scope) that is supported by more than one funding source;
- transfer pre-award costs in accordance with the provisions of [OMB Circular A-110, Section C.25](#). Note departments may request an at risk fund from ORA to avoid after-the-fact cost transfers. (At-Risk Policy to be expanded to include new awards)

Inappropriate circumstances include, but are not limited to, the following:

- transfers solely for the purpose of utilizing an unexpended balance without any specific benefit to the project
- transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored agreement;
- transfers that circumvent pre- and/or post-award restrictions.

IMPORTANT NOTE:

[A-21 C.4.b and C.4.c](#) state:

“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.”

“Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.”

Each cost transfer request must be clearly explained with supporting documentation. The person initiating the transaction has primary responsibility for fulfilling these requirements and maintaining the related records. All records must be retained in accordance with the record retention requirements of the sponsored agreement and CSM

The written explanation and supporting documentation should clearly address **ALL** of the following:

- date of the original charge;
- FOAP originally charged and FOAP to be charged;
- document number of the original charge;
- a description of the expense being transferred;
- why the receiving fund was not originally charged;
- why it is appropriate to charge the receiving fund;
- contact information in case questions arise.

Explanations such as “to correct a clerical error” or “to transfer to a correct project” are not adequate. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable. Generally, the older the charge the more involved the explanation of the transfer should be.

The transfer of a charge to a sponsored fund should contain the following statement:

“By authorizing the above, requestor certifies that the cost to be transferred is an appropriate expenditure for the sponsored fund charged and that the expenditure complies with the terms and conditions governing that sponsored fund.”

All requests must be authorized by the Principal Investigator or designee.

Cost Transfer Requests Not Subject to the 90 Day Period

1. Transfers of true overdrafts. Overdrafts are when the total expenses incurred on the award exceed the total budget awarded by the sponsor. These transfers may be made in lump sum entries rather than identifying individual transactions. The federal government considers a true overdraft as cost sharing. It is critical the function of the fund absorbing the overdraft is consistent with the function of the fund being relieved of the overdraft.
2. Transfers of expenditures between fund numbers under the same award number.

Caution: A fund for an existing sponsored agreement must never be used as a holding fund for pre-award expenses.

3. Transfer of an incorrect charge from a sponsored fund to a non-sponsored fund.

Cost Transfer Requests Subject to the 90 Day Period

1. Transfers to correct data entry or clerical errors. Note: transfers made within 30 days of the original transaction are normally considered to be acceptable corrections of errors. r

An example of a valid explanation would read: To correct data entry error: Fund 11104 should have been 12104 or, to correct transposition error: Org 12345 should have been 21345.

2. Transfer of expenditures from a departmental fund to an existing award.

An example of a valid explanation would read: To transfer project costs from the departmental fund to the sponsored fund because the sponsor issued a modification to the existing agreement rather than issuing a new award and therefore the fund number remained the same.

3. Recurring and routine transfers to allocate direct expenses, such as telephone toll charges and service center recharges. The costs must be allowable, charged in a timely manner, and allocated based on the benefit derived.
4. Transfers of expenditures from the prior year account to the competing or non-competing continuation account if permitted by the terms of the award. The explanation should contain the sponsor fund number for both the prior year and the competing or non-competing continuation award.

Cost Transfers Made After the 90 Day Period

Cost transfers made after the 90 day period will be considered after careful review and must include a justification for the lateness. Certain circumstances which may necessitate a late cost transfer include but are not limited to the following:

1. The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of a fund number.
2. The fund number assignment was delayed because of negotiation issues.

COST TRANSFERS FOR LABOR (LABOR REDISTRIBUTIONS)

The overview and definitions for cost transfers also apply to labor redistributions. The procedures differ due to the timing of payroll and the verification periods. In addition, All Time and Effort Reports are required to be returned to ORA within 45 days of receipt.

Labor charges should never be 'parked' on a sponsored fund. Since labor charges make up the majority of costs, a proactive approach to monitoring labor is necessary.

Labor Redistribution Requests made WITHIN the labor verification period

1. If an incorrect labor charge has been identified prior to the distribution of the Time and Effort Report, a Banner Payroll Reallocation Request Form must be provided immediately to Payroll which details the labor redistribution request (See form at http://www.is.mines.edu/fiscal_services/payroll.shtm). This request should be signed by the financial manager or PI, or a designee who has the authority for charging the fund(s).
2. If an incorrect labor charge is identified while reviewing a current Time and Effort Report (prior to signatures and return to payroll), mark the changes on the report prior to signing. A Banner Payroll Reallocation Request Form must be provided as backup with the report that details the labor redistribution being requested.

Note: The Time and Effort Report must be signed by the appropriate individuals and returned to ORA.

Labor Redistribution Requests made AFTER the Time and Effort Report has been signed

It is strongly recommended that labor redistributions be requested BEFORE the Time and Effort Reports are created for the period. However, we recognize that there may be reasons or extenuating circumstances for labor to be redistributed after the certification statement has been signed.

Labor cost transfers made after the Time and Effort Report has been signed will be considered after careful review and must include sufficient justification. Certain circumstances which necessitate a late cost transfer include but are not limited to the following:

1. The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of a fund number.
2. The fund number assignment was delayed because of negotiation issues.

Procedure for Redistribution of Labor after it has been verified

The following outlines the procedure required in order to process a change to labor distribution AFTER the labor has already been verified:

1. A memo must be prepared clearly explaining the rationale for the request to redistribute labor any time there is a sponsored fund involved.
2. The requestor should be the principal investigator, the financial manager, or someone who has first hand knowledge about the employee.
3. The memo must include the following information:
 - Employee's name
 - Time period for the change
 - Fund(s) to be charged for the period
 - Fund(s) being credited for the period
 - Percent of effort to be charged to each fund over the period
 - A detailed explanation as to why the change is being requested
4. Banner Payroll Reallocation Request Form
5. The memo must be signed by the PI or Financial Manager as appropriate.

6. Send the completed memo and Banner Payroll Reallocation Request Form to ORA. The approved original form will be forwarded to the payroll office for processing.