

New York University
School of Medicine

Policy # 3.3

Cost Transfers on Sponsored Projects

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I. Policy Summary & Purpose

This document establishes the policies and procedures for transferring or moving costs from one program/project/org to another as they apply to extramurally funded grant and contract awards. The purpose of this policy is to ensure proper financial accounting, reporting and compliance with applicable federal and non-federal sponsor policies and guidelines. While significant attention is placed upon transfers directed to federal programs, this policy and the procedures is to be administered consistently across all funds.

This policy provides specific guidance on the timeliness, accountability, allowability, documentation and authorization requirements for cost transfers at NYUSOM. Adhering to this policy will safeguard the Institution, its faculty and staff from potential regulatory sanctions and loss of established privileges.

II. Policy Statement

This cost transfer policy establishes how a direct charge expense related to either salary or non-salary transactions may be moved or transferred from one program/project/org to another after the charge has been posted in the financial accounting records. All cost transfers across sponsored projects must be done timely as well as meet four allowability cost principles for selected items of cost on grants, namely, *reasonableness*, *allocability*, *consistency* and *conformance* (see III. Definitions).

It is always preferable to charge costs to the correct program/project/org when they are incurred. However, cost transfers are sometimes necessary to correct errors, transfer pre-award costs to a grant subsequent to the formal award notification, remove an unauthorized cost overrun during the grant closeout process or remove unexpended balances that are either returned to the sponsor or carried forward to a subsequent year of a continuation grant. To be an allowable and justifiable cost transfer, the transfers **must be:**

- Managed in a timely manner
 - In conformity with NYUSOM and sponsor allowability standards
 - Fully documented, and
Authorized by a designated official within Sponsored Programs Financial Services
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Specific requirements regarding timeliness, allowability, documentation and authorization are identified below along with implications in the event of non-compliance:

A. Timeframes for Cost Transfers

A.1 A cost transfer should be initiated as soon as the need for a transfer is identified, and as stated in the federal regulations, within 90 days of the error being discovered. The timeliness of cost transfers is an important aspect in determining its appropriateness. Since the SOM utilizes multiple systems and reports in the course of analyzing, monitoring and reporting on grants, the following should be used as a guide in determining timeliness of a cost transfer.

A.2 If as a result of reviewing your time and effort report, you discover the need to modify charges to grants or the level of effort reported, and therefore require a cost transfer, the due date for the transfer to be processed will be 90 days from the due date of the certified effort report.

If as a result of reviewing a Grant Status Report (GSR), or update, you discover a cost to be moved, the cost transfer needs to be processed with the 90 days of the date the GSR was distributed to the PI.

To determine the timeliness of the transfer, the date considered to be the process date will be the date received by finance. It is expected that cost transfers will be processed no later than 90 days after the need for transfer is identified.

Other means of identifying the need for a cost transfer, i.e. review of an e-report, or P-card review, should also be noted. In these cases, the date the need was discovered is the date to reference against when the transfer is made. This should be no later than the GSR date or the date of any other report used which highlighted the error.

To ensure accurate accounting of the timeliness of the transfer, reference to how the error or need for transfer was discovered is important to note to ensure accurate accounting of the timeline relative to that class of transfer.

A.3 In event a transfer is required after the 90-day period, more stringent guidelines by the federal government must be met, therefore the supporting documentation

must include, in addition to the explanation and justification for the transfer, a valid explanation of why the transfer is late. Transfers processed after 90 days require the approval of the Senior Director Sponsored Programs Financial Services.

A.4 In certain circumstances, the 90 day period does not apply. They are as follows:

-Transferring an overdraft (spending in excess of the approved budget) from an approved project is not subject to the 90 day period and can be made as a lump sum transfer; transaction identification is not required.

- Transfers between projects under the same program number (program projects)

-Transfers of allowable and allocable costs charged to an institutional account as pre-award costs, and within the 90 day pre-award cost condition.

-Transfers of allowable and allocable costs charged to an institutional account while awaiting the award and set-up of a new award.

Caution: An existing sponsored agreement account is never to be used as a holding account for any pre-award costs of an anticipated new agreement.

B. Allowability

B.1 All cost transfers across sponsored projects must meet NYUSOM and sponsor allowability cost principles/standards and must be allocable to the receiving sponsored award. Cost transfers are appropriate in the following circumstances:

B.1.1 Error Correction – May include clerical errors (e.g., typographical errors or transposition of chartstring digits). Other errors may be detected upon review of monthly Organizational Budget Reports (OBR's). It may be determined that a payroll distribution had not been updated, or a charge allocation to a program/project/org was inappropriate or inconsistent with the scope and use of the item(s) purchased on the grant to which it was originally charged. All errors should be corrected as soon as they are detected.

B.1.2 Transfers between active program/projects/orgs – Costs may be transferred between active program/projects/orgs for various reasons, such as; pertinent information is received subsequent to the date of original entry, or it was impractical or impossible to allocate charges at the time of the original entry.

B.2 Cost transfers for sponsored project activities are **not allowed** in the following circumstances:

B.2.1 Overdrafts - Unless clearly stated in the agency guidelines, cost transfers from one sponsored project to another solely to cover an anticipated overrun are not allowable. Overdrafts must be transferred into discretionary accounts or institutional accounts(operating) if funds are available.

B.2.2 Unexpended Balances – Unless specifically permitted by the sponsored agreement, cost transfers solely to eliminate unexpended

balances at the close of a project are not allowable. Unexpended balances at the close of a project may need to be returned to the sponsor, and is contingent on specific agreement language.

C. Documentation/Explanation

- C.1 Cost Transfers must be supported by documentation that contains a full explanation and justification for the transfer. Cost transfer documentation must include support for the original transaction, e.g. related purchase order, vendor, amount, employee name and social security number, and possibly a copy of the detail transaction report from fame if it adds clarity.
- C.2 If a transfer is to correct an error, an explanation that merely states that the transfer was made to “correct an error” is not sufficient. The explanation must indicate why the original entry was incorrect and how the error occurred.

D. Authorization/Approval

- D.1 All cost transfers must be approved by both the financial analyst and the Manager of Sponsored Programs Financial Services. Any waivers must be approved by the Senior Director of Sponsored Programs Financial Services. All cost transfers in excess of \$50,000 or 20% of the approved direct costs must be approved by the Vice Dean for Administration of the NYUSOM.

E. Implications and Consequences of Non-Compliance with Cost Transfer Policy

- Non-adherence to this and perhaps other federal policies
- Poor internal and audit controls
- Inadequate and ineffective grants management processes
- Potentially unfavorable audit outcomes
- Loss of privileges such as:
 - o Expanded authorities – NYUSOM’s ability to oversee and authorize rebudgeting, carryovers, and the cost transfers outlined in this document would be lost.
 - o Letter of credit – rapid, electronic cost reimbursement of grant expenditures
 - o Disallowances with potential damages - including penalties and interest
- Bad press may result in loss of future grant funding and philanthropy
- Subject to increased scrutiny of Inspector Generals’ Office Audit plan
- Loss of “low risk” grantee status which would increase audit scrutiny and cost to institution
- Non-compliance could result in the following actions:
 - o Loss of privileges such as Stapleslink and P-Cards
 - o Restriction of transfers to departmental chartfield only, as a default
 - o Forfeiture of grant balances (grants referenced in the cost transfer)if cost transfer is disallowed

III. Definitions

Cost Transfer – A cost transfer is a reallocation or movement of costs from one program/project/org to another after the charge has been posted in the financial accounting records.

Cost/Principles:

Reasonableness

A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflects the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. The cost principles elaborate on this concept and address considerations such as whether the cost is of a type generally necessary for the organization's operations or the grant's performance; whether the recipient complied with its established institutional policies in incurring the cost; and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal Government and the public at large as well as to the organization.

Allocability

A cost is allocable to a specific grant, function, department, etc., known as a cost objective, if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if it is incurred solely in order to advance work under that grant.

Consistency

Grantees must be consistent in assigning costs to cost objectives. Therefore, under NIH grants, although costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, they must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, so as to avoid duplicate charges.

Conformance

The fourth aspect of allowability, conformance with limitations and exclusions as contained in the terms and conditions of award-varies by the type of activity, the type of recipient, and other variables of individual awards. The section titled "[Allowability of Costs/Activities](#)" provides information common to most NIH grants and, where appropriate, specifies some of the applicable distinctions if there is a different treatment based on the type of grant or grantee. Part III contains additional information on allowability of costs for particular types of grants/grantees/activities.

IV. Roles & Responsibilities

Principal Investigator - The Principal Investigator or his/her designee initiates the request for cost transfers, providing a detailed explanation for the cost transfer.

Department Administrator (or designee) – Prepares cost transfer documents.

Manager - Sponsored Programs Financial Services – Provides final approval of all NYUSOM cost transfers. Cost transfers greater than \$50,000 or 20% of the approved

direct costs budget must be authorized by the Vice Dean for Administration of the NYUSOM.

Sponsored Program Financial Analyst – Responsible for approving cost transfers and processing necessary entries to satisfy the cost transfer request. Ensures that final approval is documented and maintains complete records of all cost transfers for future reference and/or audits. This individual ensures the re-certification of effort reports if transfer involves salary changes.

V. Procedures

- A. A “Request for Cost Transfer Form” must be completed for all cost transfers (Except for permanent salary and wage transfers, covered in section b). The form should be completed as follows:

	Sections A & B are to be completed by the Department Administrator in conjunction with the PI
Section A:	Identify Item being transferred including: <ul style="list-style-type: none"> ▪ Type of Expense (i.e. equipment, supplies, salaries) ▪ Vendor (or employee if salary transfer) ▪ Description of item
	Date of Original Charge
	Amount of original charge
	Chartfield combination (formerly account number) where original charge was recorded
	Chartfield where charge is to be moved
Section B:	Explanation and Justification for Transfer , include reasons for: <ul style="list-style-type: none"> ▪ Charging the original program/project/org ▪ Transferring the charge ▪ Charging the proposed program/project/org ▪ Processing the transfer beyond 90 days limit (if applicable)
Section C:	Principal Investigator (PI) signature and date
	Financial Analyst signature and date
	Manager of Sponsored Programs Financial Services signature and date.
	Journal Entry Preparer and date of entry Note: Effort Certification needs to be re-certified at this time

- A.2 The Request for Cost Transfer form is completed in the following sequence:

- The form (Blocks A and B) is completed by the department administrator in conjunction with the PI, who signs and dates the Cost Transfer form.
- The form is forwarded to the Sponsored Program Financial Analyst (SPFA) for review, approval and signature. (If the SPFA does not approve the transfer, the form is returned to the PI with an explanation)
- The SPFA forwards it to the Manager of Sponsored Programs Financial Services for review, approval and signature. (If the Manager does not approve the transfer, the form is returned to the SPFA with an explanation)

- In those cases where the transfer exceeds \$50,000 or 20% of the approved direct costs budget, the form will be sent by SPFS to the Vice Dean for Administration of the NYUSOM for review, approval and signature.
 - The journal entry is processed by the SPFA
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B. **Salary and Wage Transfers** – Salary and wage transfers may result from permanent re-assignment of time and effort between projects or by an interim re-assignment of effort. Interim transfers are performed using the standard Request for Cost Transfer Form (covered in section “A” of this procedure). Permanent transfers of salary are performed as follows:

B.1 Permanent Change in allocation

All permanent changes to payroll allocations must be made using the Confidential Personnel Profile (CPP) form.

- The department administrator prepares a Confidential Personnel Profile (CPP) with a prospective effective date and submits it to the PI for his or her approval and signature.
- The approved CPP is reviewed by the Budget Office and then goes to the Sponsored Programs Payroll Allocation group to be processed, including any minor adjustments.
- If the effective date is retroactive greater than 90 days as described in Section II B, a cost transfer form is required to document the transfer and a journal entry prepared to re-allocate the charge. Documents are to be forwarded to the Manager of Financial Services for approval and processing.
- Effort Report must be re-certified by the PI, or the Administrator in the case of a non-professional effort report, if the period covered by the transfer has previously been certified by the employee whose salary is being transferred. A journal entry will not be processed unless the effort report is re-certified.

B.2 Temporary Change

All temporary changes should be made using a cost transfer (i.e. employee is temporarily assigned to a specific project funded by source other than current salary allocation).

VI. Special Situations/Exceptions

Non-Sponsored Program – It is not necessary to use a cost transfer when transferring expense between non-sponsored program accounts, however, one can be used if you feel it necessary to provide needed support. A memo and clearly explained journal would be sufficient.

Fast Track Cost Transfer – A request for a cost transfer will be put on a “fast track” if the request is made within 60 days after the end of the month in which the activity occurred and meet one of the following criteria:

- Transfer is less than \$1,000 in total or
- To correct an error (such as a typographical or transposition error) originating from Accounts Payable, Purchasing, Animal Facility, etc.

Fast Track cost transfers can be processed by using a “Request for Cost Transfer Form” and annotating “Fast Track” in Section B, “Explanation and Justification”. It would only require the signature of the Principal Investigator and the Sponsored Program Financial Analyst and a less detailed explanation.

VII. Other Related Documents – N/A

VIII. Applicable Regulations

OMB Circular A-21, Part C, 4b

NIH Grant Policy Manual, Part II-35

IX. Attachments

- A. “Request for Cost Transfer”
- B. Confidential Personnel Profile Form