533-008-A Sponsored Projects Cost Transfer Procedures

Procedure Statement

This document describes the procedures associated with the transfer of salary and/or non-salary costs between funding sources and the responsibilities of those involved with the transfer. Adherence to these procedures will ensure that cost transfers meet external regulations, guidelines and terms as well as institutional policies and guidelines.

Procedure Requirements

It is critical that all sponsored project expenditures be reviewed on a regular, monthly basis to ensure that all charges, salary and non-salary, are correct and appropriate. With respect to sponsored projects, it is the responsibility of the principal investigator (PI), and the PI's designee, to authorize transactions and review the expenditure activity. This review should include the determination that the charges are reasonable, allowable, allocable, and directly support the scope of work for that project.

The PI or designee must determine if the reason for the cost transfer is “appropriate” as defined by federal regulations and guidelines when the cost transfer involves a federal-or state-sponsored project. When the cost transfer does not involve costs associated with a federally or state-funded project, the governing documents for the sponsored project (i.e., the contract or agreement) must be referenced to determine the appropriateness of the cost transfer.

The costs being transferred to and from sponsored projects must meet all of the requirements as defined in the institutional policy.

- **Reasonable (including necessity)** – A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflect the action that a prudent person would have taken under the circumstances prevailing when the decision to incur the cost was made.

- **Allocable** – A cost is allocable to a specific grant, function, department, or other component, 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.

- **Allowable (Conformance)** – Conforms to the limitations and exclusions as contained in the terms and conditions of the award, including those in the cost principles, which vary by the type of activity, the type of recipient, and other characteristics of individual awards.

- **Consistently Applied** – Grantees must be consistent in assigning costs to cost objectives. Costs 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.

Timeliness

Cost transfers should be processed as soon as possible after the original transaction, but in any case **not later than 90 days** after the date of the original transactions and no later than 45 days past a sponsored project end date to ensure processing prior to final invoice submission. Transfers made after this period of time raise questions concerning the propriety of the transfer.
and could potentially heighten the level of scrutiny applied to all cost transfers campus-wide. Requests for transfers made after 90 days will be considered only under extenuating circumstances.

**Salary Cost Transfers**

The distribution of salary charges for University Corporation personnel should represent a reasonable reflection of the employee’s effort. These distributions should be reviewed on a regular basis and, if changes are anticipated, PIs or department administrators must prepare and submit an Employee Status Form or submit a transfer request to Grants & Contracts office, ideally in conjunction with the change in activities. In order to comply with federal requirements, this form should be processed within 90 days after the expense was originally recorded in the financial system.

Every effort should be made to process payroll adjustments prior to the close of the fiscal year in which the original expense was incurred. Every attempt should be made to process adjustments of allocations of salaries and wages before effort has been certified by the department or during the effort certification process. By reviewing salary distributions on a project regularly, the salary distributions will, in most circumstances, be accurate and should coincide with the certified effort distributions. In some cases, cost transfers will need to be made subsequent to effort certification to ensure salary allocation and effort match; however, retroactive effort adjustments after certification are problematic because they raise concerns regarding timeliness and the reliability/validity of the certification process. Requesting retroactive payroll adjustments that cross fiscal years is problematic for a number of reasons (e.g., accounts may be closed or deleted, employee benefit rates may have changed, and financial reporting can be distorted).

Salary cost transfers must be initiated by the PI and must be processed by submitting the Revenue and Expense Transfer form with appropriate documentation to the Grants and Contracts Office. This form is available on the Corporation’s website, www.csumb.org. Relevant information required for each form includes: the account number the funds will be transferred from, the receiving account number, amount to be transferred, reason and explanation for the transfer, and proper authorization by the requestor and approver (PI).

The required documentation for salary transfers must come from the Corporation’s Payroll Office. Only a certified payroll report provided by the Payroll Office will be accepted as appropriate backup documentation. An email can be sent to the Payroll Office listing the relevant chartstring information being requested, such as employee name, pay period, fund, department ID, and project number. The dollar amount must match the dollar amount on the Revenue and Expense Transfer form. Once approved by the Grants and Contracts Office it will be forwarded to the Corporation Accounting Office for additional review, approval and processing. A cost transfer form will not be approved if 1) the required authorized signatures and backup documentation are not provided and 2) there are insufficient funds available on the project.

**Non-Salary Cost Transfers**

Non-salary cost transfers follow the same process as described above for salary cost transfers except different supporting documentation is required. Supporting documentation must include a printout of the transaction screen from the PeopleSoft Finance system that shows the original charge and confirms that the proper accounts have been identified for the transfer.
FOR BOTH SALARY AND NON-SALARY TRANSFERS, the documentation must include: a description of the expenses to be transferred including the explanation for why and when the original charges were incurred, an explanation why the receiving account was not originally charged and why it is appropriate to charge it now along with how it is allocable to that account, and steps that have been put in place to prevent future need for correction.

**Internal Review of Cost Transfers**

The Grants & Contracts Office and Corporation Accounting Office will review the cost transfer for compliance with the Corporation’s *Cost Transfers on Sponsored Projects* policy and all applicable federal regulations.

Cost transfers made for any of the following reasons will **not** be considered appropriate or compliant with federal regulations or Corporation policy:

- Cost transfers used as a cost management strategy
- Cost transfers between sponsored projects to avoid or eliminate cost overruns
- Cost transfers for any other reasons of convenience
- Cost transfers solely for the purpose of utilizing unexpended funds of a sponsored award
- Cost transfers that circumvent pre- and/or post-awards restrictions/procedures
- Cost transfers that result from charging expenses to an inappropriate grant temporarily while waiting for another grant account to be set up

The following are typically considered appropriate circumstances for cost transfers, yet still will be subject to thorough review by Grants & Contracts and Corporation Accounting before approval:

**Cost transfers to correct clerical errors**

When a clerical or technical error results in costs being allocated to an incorrect funding source, the responsible department administrator may initiate a cost transfer using the cost transfer process to correct the error. The PI will be notified as appropriate. As stated in the Corporation policy and federal guidelines, the explanation for these circumstances cannot merely state that the transfer was made “to correct an error” or “to transfer to the correct project”. Additional explanation will be required, such as how or why the error occurred, and how it will be resolved so the same error does not occur again.

**Cost transfers to reallocate effort to reflect actual charges**

It is acceptable to request a salary cost transfer if the change in salary is to correct the actual effort during the time & effort period and if the requested change complies with federal/funder and institutional requirements. These requests must occur prior to signing the Effort Reporting Certification.

**Cost transfers for the removal of unallowable expenses**

It occasionally may be necessary for the responsible administrator to initiate a cost transfer to remove an expense item deemed to be unallowable based on government regulation and/or a grant award agreement. When this situation occurs, the department administrator may initiate the cost transfer to the PI’s departmental account using the cost transfer process. The PI will be advised of the transfer promptly, and further information concerning the cost will be requested. The reason the cost was determined to be unallowable will also be discussed at this time.
Cost transfers of out-of-period charges

The responsible department administrator may initiate cost transfers using the cost transfer process to move out-of-period costs that were charged to a fund for a previous budget period, when the costs should have been charged to the fund associated with a subsequent budget period (or vice versa), as long as the project period of the grant has not ended. This type of action is not classified as a cost transfer between sponsored projects, it is a transfer between years of the same sponsored project.

Cost transfers for the allocation of costs benefiting more than one project

The requirement to initially charge costs to the appropriate funding source should always be followed unless the costs benefit two or more projects or activities that are closely related, and the proportion of benefit received by each project cannot be specifically determined in advance. When this situation exists, costs may be transferred to the benefiting projects when the transfer meets all of the following conditions:

- The initial charge could appropriately have been allocated to either activity/account
- The method of allocating the costs between the projects is reasonable and documented
- The transfer is supported by the approved documentation as well as a full explanation and justification for the transfer
- The transfer is reviewed and approved by the Grants & Contacts office and Corporation Accounting

Cost transfers from a non-grant account

In limited situations, charging costs to a non-sponsored funding source initially and later reallocating these charges to sponsored projects may need to occur. However, permission to charge a non-grant funding source must first be granted by the Grants and Contracts Office before incurring costs. This procedure should only be done in unusual or special circumstances. Once the grant is set up and ready to reflect all of its charges, the responsible department administrator should follow the cost transfer process to move the costs.

Cost Overruns

In order to meet reporting deadlines, a cost transfer may be initiated to process cost overruns on a sponsored project. Cost transfers made to process cost overruns may not be made to another sponsored project, and must comply with institutional policies and guidelines. When this occurs, the PI will be advised of the transfer promptly and the specific details of the cost transfer will be discussed at that time. (See Policy: Repayment of Unallowed/Disallowed Costs)

Additional Approvals Required for Cost Transfers Over 90 Days

Approval for cost transfers submitted later than 90 calendar days will only be granted in extenuating circumstances. Requestors are required to submit explanations for lateness (i.e., over 90 days) to Corporation Accounting for review when submitting the Revenue and Expense Transfer Form and assembling backup documentation.
The responsible person or PI will also need the signature approval of their Chair and Dean or Vice President on the transfer form. Extenuating circumstances DO NOT include PI or responsible administrator absences, nor shortage or lack of experience of staff.

Examples of acceptable extenuating circumstances for cost transfers over 90 calendar days:

- Late issuance of a notice of grant award or full execution of a subcontract subsequent to the start of the budget year or other period of performance; supporting documentation required.
- Failure of another department to take action, e.g., on a properly submitted payroll distribution change request; supporting documentation required.

It is the responsibility of the grantee and the PI to administer and exercise stewardship over externally funded projects in accordance with policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.