Tulane University
Policy on Cost Transfers to Sponsored Accounts

Applicable to: Deans, Faculty, Directors, Department Heads, and Departmental Staff

Objectives of the Cost Transfer Policy

As a recipient of federal funds Tulane University is obligated to uphold standards that are consistent with Office of Management and Budget (OMB) and Agency specific guidance. Thus, it is necessary to explain and justify transfers of charges into federal and non-federal awards from other federal accounts, non-federal accounts, or University accounts. Timeliness and completeness of explanation of transfer are important factors in supporting allowability and allocability in accordance with the principles of OMB Circular A-21.

OMB Circular A-21: "...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."

In addition to complying with OMB Circular A-21, Tulane University must also comply with the requirements of the National Institutes of Health (NIH), our largest source of federal research funding. Specific language on cost transfer requirements can be found in the NIH Grants Policy Statement.

Background

A cost transfer involves moving an expense from one account to another. A limited number of reasons might necessitate a cost transfer, such as a keypunch error or the determination that an expense benefited a project other than the account charged.

Transfers must be completed in a timely manner and require detailed documentation as to the reason for the transfer. Cost transfers on sponsored project accounts are often scrutinized by auditors as well as agency officials. Frequent, tardy, or inadequately explained transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, can raise serious questions as to the propriety of the transfers. Accordingly, all transfers must be fully documented as to the need for the correction. If only a portion of an expenditure is being transferred, the explanation must also include the means of allocation between accounts.

Policy Statement

All cost transfers, including salary, should be completed within 90 days of their original transaction date. All expense transfers must be accompanied by a completed Cost Transfer Justification Form, and forwarded to Sponsored Projects Administration or

Grants and Contracts Accounting for review and approval. Such approval or denial will be considered the final institutional decision. Initiating departments should be mindful of their responsibilities for covering the costs in the event a transfer request is not approved.

The PI and his/her Chair's signatures are required on the Cost Transfer Justification Form for cost transfers requested more than 90 calendar days after the original transaction. If the request is less than 90 days old, the PI or Department Administrator signature is required. Additionally, supporting documentation such as transaction numbers, dates, and copies of the budget statements must accompany each IT. If salary is involved, the effort certification should match the cost transfer. The accompanying Cost Transfer Justification form shall provide an explanation/justification for every cost transfer request (regardless of dollar amount). For further information refer to the **Procedures for Requesting Cost Transfers and Completing the Cost Transfer Justification Form**

1. Definition of a Cost Transfer

A cost transfer is the assignment of an expense or expenditure (charge) to a federally or non-federally funded account that was initially recorded in another account.

2. Direct Charges to Sponsored Projects

As a general practice, direct charges to sponsored research awards must be:

- Specifically identified with a particular project (i.e., charged to where it is used)
- Allocable (i.e., costs must be charged in proportion to their benefit to a particular project)
- Reasonable (i.e., charging costs to a particular project must reflect the actions of a "prudent person")
- Allowable (i.e., certain costs, such as entertainment, may not be charged to a federal grant under any circumstances)
- Timely (cost transfers should occur as soon as the error is discovered but no later than 90 days after the original charge was incurred
- Conforming to any terms and conditions in the sponsored agreement

3. Cost Transfer Guiding Principles

- Cost transfers are for correcting errors.
- Cost transfers may not be used as a means of managing available cash balances. This is prohibited by OMB Circular A21 and by NIH policy.
- Project funds are not interchangeable (the integrity of each grant account must be maintained).
- Fundamental reasonableness, allowability, allocability, and consistency of costs must be retained.
- Costs allocable to several projects cannot be charged solely to a single project.

- Costs not allocable to a project cannot be charged to that project, even temporarily.

4. Examples of Cost Transfer Red Flags

Certain elements associated with cost transfers may result in heightened audit risk to the University. Examples include:

- Transfers to or between sponsored projects
- Transfers older than 90 days after the original transaction
- Transfers in the last month of the award or after the award has expired
- Large numbers of cost transfers (relating to a particular department or grant)
- Grants or contracts with a zero balance at the end of the award
- Round numbers (may be an indicator of a plugged number)
- Paying summer salary late (e.g., in December)
- Labor distribution adjustments to previously certified effort
- Transfers without a full explanation and/or "cookie cutter" explanations
- Transfers among "closely related" projects

5. Establishing accounts prior to receipt of award

Establishing 5-ledger accounts (using the Tulane University Account Authorization form), when appropriate, can prevent the necessity of making cost transfers. Setting up accounts prior to receipt of an award notice or fully executed agreement will allow the PI to begin work and record charges against the proper account related to a project before the start of the award. Requests to set up accounts are initiated by the PI and sent through Sponsored Projects Administration.

6. No-Cost Extensions

If the sponsor permits, extending the accounts (no-cost extensions), when appropriate, can prevent the necessity of making cost transfers. No-cost extensions allow the PI to continue work and record charges against the proper account related to a project.

7. Record Retention:

Per federal regulations (45 CFR 74.53 and 45 CFR 92.42), grantees are required to maintain grant accounting records including justifications and approvals for cost transfers or late cost transfers for 3 years after the submission of the final financial report. If any litigation, claims, negotiation, audit or other action involving the record has been started before the expiration of the 3 year period, the records shall be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

Further Information: Questions or concerns regarding cost transfers should be directed to Sponsored Projects Administration or Grants and Contracts Accounting.