

COST TRANSFER POLICY

Policy Statement

Proper management of funds is essential to uphold the fiduciary responsibilities of the college. It is the policy of the college that costs be charged to the appropriate sponsored project when first incurred. However, there may be circumstances in which it is necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge.

Such transactions require monitoring for compliance with Smith policy, Federal regulations, sponsor specific guidelines, and the cost principles that guide fiscal activities on sponsored projects.

This cost transfer policy is intended to meet these requirements.

Definition

A cost transfer is more commonly known as a journal entry which specifically reallocates an expense to a federally sponsored fund after the expense was initially charged to another fund. Cost transfers can include reallocations of salary, wages, and other direct costs. These transactions will require completion of a cost transfer form along with a journal entry, and relevant documentation, and must be approved prior to processing.

The College determines that in the following instances, a Cost Transfer Form is not needed and that the standard business practice for journal transactions applies.

- Transfers made within the accounting period (month) of the original charge.
- Transfers of original expenses less than \$500.
- Transfers to correct improperly classified account code
- Transfers to correct transactions to invalid code combinations involving only the org and/or program code

Allowability and Timeliness

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness.

Costs Transfers less than 90 Days

Cost transfers must be timely. They should occur as soon as possible after the original transaction and be processed within 90 calendar days after the 15th of the month following the accounting period of the date of the original transaction. A cost transfer can only be made under appropriate circumstances when the expense qualifies as an allowable direct cost of the sponsored project being charged.

Typically, cost transfers are appropriate when 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 expenses in accordance with the provisions of OMB Circular A-110, Section c.25.
- Retroactively adjust salary costs between projects to reflect an individual's actual effort on the projects.

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

- Transfers solely for the purpose of utilizing an unexpended balance;
- Transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored project;
- Transfers that circumvent pre - and/or post-award restrictions.

Costs Transfers exceeding 90 Days

Approval for cost transfers submitted later than 90 calendar days (as defined above) will only be granted in extenuating circumstances.

Transfers that would result in the revision of a final Financial Status Report (FSR) or Final Invoice will generally not be approved.

Procedure

All cost transfers, payroll and non-payroll, must be authorized by the Principal Investigator or designee and be reviewed and approved by Grants Accounting prior to being processed.

The Requestor must complete a Cost Transfer Form (which explains why the transaction is taking place) and answer the appropriate questions.

If the cost transfer is 90 days or less (as defined above), answer questions 1 and 2 and obtain appropriate approvals. If the cost transfer is great than 90 days, all 4 questions must be answered and appropriate approvals must be obtained. See form for approvals.

Proper documentation of the specific costs being transferred must accompany the cost transfer request. This includes the date of the original charge, copies of invoices and/or accounts payable vouchers, and a journal voucher. The grants accounting office must be able to ensure that actual, identifiable expenditures are being transferred, not lump sum amounts.

For further information, contact Grants Accounting at (413) 585-2200.