



Florida Agricultural & Mechanical University

Board of Trustees Policy

Board of Trustees Policy Number:
2005-13

Date of Adoption/Revision:
June 30, 2005

Subject	Cost Transfer Policy
Authority	OMB Circular A-21: Cost Principles for Educational Institutions; Sections 1004.22 and 1001.74, Florida Statutes
Applicability	University Staff, Principal Investigators, Sponsored Research Staff and Contracts & Grants Staff, Vice President of Financial Services, Controller and other individuals that process, review or approve cost transfers for sponsored agreements.

I. Policy Statement and Purpose

It is the policy of Florida A & M University that costs should be charged to the appropriate federal award when first incurred. Any errors in the allocation of direct costs to sponsored agreements shall be identified, corrected and documented in a timely and consistent manner. Cost transfers shall be kept to a minimum and shall not be a routine method of account management. If an individual sponsored agreement has more stringent requirements than this policy and related procedures adopted pursuant to this policy, the requirements of the agreement shall govern.

To be allowable, cost transfers must be timely, be fully documented, be allowable under the terms and conditions of the specific sponsored agreement, and have appropriate authorizing signatures. Timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with the principles of OMB Circular A-21. The purpose of this policy is to ensure that the University has a uniform method of handling cost transfers that complies with federal agency, State, University and audit requirements.

At no time should a sponsored account be used as a holding account for charges that should be expensed to a different project or program.

II. Definitions

Cost Transfer is a transfer to a federally funded sponsored account of a charge previously recorded elsewhere. Examples of cost transfers include, but are not limited to error corrections, transfer of pre-award costs from departmental account(s), reallocation of effort to reflect actual effort, and reallocation of shared services that were previously charged elsewhere.

III. Initiation of Cost Transfers

Cost transfers should be authorized by the Principal Investigator responsible for the sponsored project. Prior approval of Sponsored Programs is required.

IV. Responsibility for Compliance

The primary responsibility for recording charges to the correct sponsored account is at the academic department level when the costs are incurred and recorded. Suitable fiscal practices at the department level should permit identification of any errors in a timely manner, allowing cost transfers to be processed within the required time period.. Therefore, responsibility for following this policy lies with the Principal Investigator, the Department Chair or Director and the fiscal/financial personnel. Sponsored Programs is responsible for the review and approval of the cost transfers, and shall review the backup documentation and the specific sponsored agreement terms and conditions to verify the allowability of a cost transfer.

The Principal Investigator and the relevant department or division should maintain documentation of the appropriateness of any cost transfer.

V. Permitted Exceptions

A. Recognizing that legitimate reasons can exist for the transfer of expenses, certain exceptions will be permissible. It is considered appropriate to transfer expenses under the following circumstances:

1. *Correction of technical or clerical errors.* Since the timeliness and appropriateness of costs may be subject of specific audits by a sponsor, an error in cost transfer in charging costs to a sponsored account should be moved only once. All errors must be corrected as soon as detected. This provision anticipates errors as typographical errors or transposition of digits in an account code and expenditure type, or a Peoplesoft record was not updated, an individual's effort was redirected, or a purchase was charged to a sponsored project other than the sponsored project that ultimately benefited from the use of the item purchased or such similar acts.
2. *Transfer of Pre-Award Costs.* For the economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred before the award document has been received. The University will permit pre-award costs only if it is provided in the solicitation or the sponsored award. In such cases, the Principal Investigator must request Sponsored Programs to set up a sponsored project . Upon the receipt of the award, the costs are transferred to the permanent sponsored project. .
3. *Transfer of Unallowable or Unallocable Expenses.* Principal Investigators must be careful to manage and monitor their sponsored accounts to not incur costs that are not reimbursable. In the event an expense is determined to be unallowable or unallocable to a sponsored project, the expense must be transferred to a non-sponsored department account. If permitted by the sponsored award, the costs must be treated in same manner as cost sharing.

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4. *Cost Benefiting More Than One Project.* When a particular charge to a sponsored project benefits another sponsored project, that charge may be transferred to the other project account, provided that:

- a. The initial charge could appropriately have been made to the other sponsored project account;
- b. The charge is contemplated in the approved budgets of both sponsored projects; and
- c. The explanation for the transfer makes it clear why the particular charge is appropriate to either of the sponsored project accounts.

Transferring a cost more than once shall require a written request accompanied by a written explanation that must be submitted for the review and approval of the Vice President of Research and Vice President of Financial Services.

VI. Time of Cost Transfers

A. *90 Day Rule.* It is the responsibility of the Principal Investigator to make sure that cost transfers are made promptly after the error is discovered and within 90 days of the original charge, unless close out requirements necessitate a shorter period of time.

B. *Transfers Made After 90 Days.* Cost transfers after 90 days should be extremely rare and only processed under extenuating circumstances. Approvals for cost transfers submitted later than 90 days will be granted only in extenuating circumstances. Acceptable extenuating circumstances:

- 1. Late issuance of a notice of grant award
- 2. Full execution of a subcontract subsequent to the start of the budget year or period of performance
- 3. Failure of another department to take action on a properly submitted payroll distribution change request.

Cost transfers submitted after 90 days requires the written submission and justification signed by the Principal Investigator, the Department Chair or Division Director, and administrative person over Contracts and Grants.

VII. Managing Cost Overruns and Overdrafts

A sponsored account cannot be closed out until a deficit balance is eliminated. Unless the sponsoring agency increases the funding on the specific sponsored project which benefits from the sponsored account, a deficit balance must be removed immediately from the sponsored account and transferred to a nonsponsored account in the department or division.

VIII. Certification/Signatures

A. A certification is required on cost transfers to a grant or contract to indicate that the cost to be transferred in an appropriate expenditure for the sponsored project and that it

complies with the terms and restrictions governing that sponsored grant or contract, as:

“ I certify that the cost transferred is an appropriate expenditure for the sponsored project charged and that the expenditure complies with the terms and restrictions governing that sponsored project.”

B. Authorized signatures for the purposes of cost transfers shall be as follows:

1. For transfers within 90 days, the signatures of the Principal Investigator and Contracts and Grants.
2. For transfers after 90 days, the signatures of the Principal Investigator, Dean and Contracts and Grants.

IX. Procedures

The Vice President for Research and Vice President for Financial Services shall formulate cost transfer procedures consistent with this policy.