INTRODUCTION

Definition

A cost transfer is a transfer of expenditure from one award to another award. When the award receiving the cost is a sponsored grant or contract, special rules apply as discussed later in this policy.

In some instances, a cost transfer is unavoidable. The purpose of this cost transfer policy is to provide information to principal investigators, department administrators, project managers, Chairs, and Deans concerning government cost transfer policies. Cost transfers should not be prepared or approved by departmental personnel if the requirements in this guide are not met.

Applicability of this Policy

All federal grants, contracts, cooperative agreements, traineeships, etc. are subject to this cost transfer policy. Subcontracts from other entities (universities, local government units, states, etc.) which are funded by federal agencies are subject to the same regulations as federal awards made directly to Vanderbilt. Drug studies and fixed price contracts may have greater flexibility.

This policy may not cover all instances and you are urged to contact the Office of Contract and Grant Accounting if you are not sure of the appropriateness of a requested cost transfer.
Reason for Concern

Transfers that are frequent, tardy or inadequately explained, particularly on awards with overruns or unexpended balances, raise questions about the propriety of the transfers and the reliability of the university’s internal controls.

Government Requirements

Various government agencies have published cost transfer policies. They generally include specific requirements for written documentation, specific time limitations for making a transfer, and prohibition on transfers used solely to cover a project deficit. Exhibit A includes cost transfer policies from the Office of Management and Budget and the Grants Policy Statement.

Cost Transfers Between Related Awards

The appropriate allocation of costs among similar or interrelated awards should be made at the time a transaction is initiated in accordance with the University’s Direct Costs Guidelines (http://www.vanderbilt.edu/ocga/docs/vupolicies/directcost/direct_Cost_Policy_revised_032017.pdf). The cost transfer policy summarized in the first section of this document applies to cost transfers whether awards are related or not related. If a cost transfer is not allowable within the policy as stated, relatedness cannot be used as a reason to make the transfer allowable absent written authorization from the appropriate federal funding sponsor(s).

Consequences if a Cost Transfer does not Meet Government Requirements

As required by federal regulations, the University retains external auditors to conduct extensive reviews of federal award (grant and contract) expenditures, which includes detailed reviews of cost transfers. In the event that a cost transfer does not meet the government requirements, the dollar amount of the transfer will be disallowed and the owning organization for the award/project will have to reimburse the award for the amount of the disallowed cost transfer.

Examples of Cost Transfers

The following are examples of cost transfers:

- Correcting charges to federally sponsored awards from unrestricted or non-sponsored sources are cost transfers.
- Correcting charges between federally sponsored awards are cost transfers.

The following are not considered cost transfers:

- Allocating charges from unrestricted or non-sponsored sources to a federally sponsored awards, such as expenses charged through procurement card (the One card), copying charges, service center Cores, etc., are considered original or initially recorded charges; these are not cost transfers.
- Allocating charges between projects associated with one federally sponsored award are not cost transfers.
- Allocating charges between expenditure types on a project associated with a federally sponsored award are not cost transfers.
- Correcting charges from federally sponsored awards to unrestricted or non-sponsored sources are not cost transfers.
Note: Vanderbilt is obligated to correct unallowable charges made to federally sponsored awards, once identified in a timely manner, regardless of time frame.

II. COST TRANSFER REQUIREMENTS

Cost transfers should be prepared as soon as the need for the transfer is identified. Cost transfer requests for salary and non-salary charges should be submitted to the Office of Contract and Grant Accounting. This request must include the appropriate certification and be approved by the Principal Investigator or designee and routed through the required approvals within the department and school or college. The request must contain certain basic information relating to the costs to be transferred, as described below.

Cost Transfer Time Period

All cost transfers should be made within 90 days of the original charge or initially-recorded charge. The 90 day time period begins after the month end close of the period that the original or initially-recorded charge is posted in the general ledger or PPM subledger. This transfer period runs until the transfer request is received in the Office of Contract and Grant Accounting. The deadline of 90 days is the standard used by the federal agencies and its auditors to determine whether costs are reasonably charged to their awards appropriately. It is a standard established in federal regulations and grant policies. It is critical that all transactions for federally funded awards/projects are reviewed in a timely manner on a regular basis in order to facilitate the timely submission of cost transfers. Only in extenuating circumstances, will a cost transfer be appropriate beyond the 90 day period to put additional charges onto a federal award. These transfers will be reviewed with close scrutiny and may need further justification and additional approvals.

BASIC COST TRANSFER REQUIREMENTS

All cost transfers for salary or non-salary charges must be accompanied with a justification statement addressing the below criteria and the cost transfer request form which includes the certification statement. The justification criteria are as follows:

1. Why was the expense not charged originally to the award/project to which it is now being requested to be charged?
2. Why should the charge(s) be transferred to the proposed receiving award/project? (How does the award/project benefit?)
3. Why are the charges being transferred allowable and allocable to the receiving award/project?
4. What corrective action has been put in place to prevent future need for cost transfers of this nature?

Cost transfers of salary or non-salary charges submitted after the 90 day period, as defined above, are considered late and must have an extremely strong case as to why they should be approved and the reason for the delay in requesting the transfer. These transfers are generally not allowed to be transferred onto another federally sponsored award unless there are extenuating circumstances. Such transfers will be reviewed with extreme scrutiny and may need further justification and additional approvals. If the justification does not meet the extenuating circumstance criteria, the charges will need to be transferred to an unrestricted or non-sponsored source. The justification for these late cost transfers should address same points as listed above in addition to a thorough explanation as to why
there was such a delay in detecting and requesting the cost transfer.

All cost transfers of salary or non-salary charges must contain the following certification statement:

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

The certification statement is part of the request form and must be signed (or electronically signed) by the department and School Dean or designee before the cost transfer can be processed in the Oracle system.

**INADEQUATE DOCUMENTATION**

Cost transfer requests will be returned to the Department if:

- The justification does not adequately support the transfer being requested;
- The documentation required for the transfer, as described above, is missing;
- The cost to be transferred was incurred outside the effective dates of the federally sponsored grant/contract receiving the charge;
- The sole purpose of the transfer is to move deficit from one federally sponsored grant/contract to another;
- The sole purpose of the transfer is to “use up” unspent funds from a federally sponsored grant or contract; or
- The certification statement not signed/electronically approved by the appropriate authorized person(s).

**III. SUPPLEMENTARY INFORMATION**

The 90 day cost transfer time period applies when transferring expenditures **TO** a federally sponsored grant or contract. No time limit exists for **REMOVING** expenditures from a federally sponsored grant or contract. If inappropriate expenditures are discovered on federal awards, they must be removed without regard to time limits.
IV. SUMMARY OF COST TRANSFER POLICY

A. All cost transfers to federally sponsored awards should be made within 90 days of the original charge or initially recorded charge is posted in the general ledger or PPM subledger. Any cost transfer removing expenses from a federally sponsored grant or contract must be made without regard to this time limit. Only in extenuating circumstances, will a cost transfer be appropriate beyond the 90 day period; such transfers will be subject to increased scrutiny.

B. The cost to be transferred must be shown to benefit and be allowable under the terms of the federally sponsored grant/contract receiving the charge.

C. Justification and documentation must accompany the cost transfer request. See Section II for specific requirements.

D. Cost transfers will be returned to the Department if:
   1. Inadequate documentation or justification is provided with the transfer request;
   2. The request for cost transfer does not meet the time period (see A above);
   3. The sole purpose of the transfer is to move a deficit from one federally sponsored grant/contract to another;
   4. The purpose of the transfer is to “use up” unspent funds from a federally sponsored grant or contract; or if
   5. The certification statement and appropriate approvals are missing (see Section II).

V. SAMPLE DOCUMENTATION

Below are several examples of cost transfer documentation which do not meet the requirements described above, a description of the improvements needed in the documentation, and a suggestion as to how the description could be improved to meet the requirements.

1. **Questionable explanation**: Transfer of supplies that were charged to the department in error.

   **Issue**: This explanation does not adequately explain why the wrong COA or POET string was charged and why/how the charge is appropriate to the award/project being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the award being charged is appropriate and how the amount being transferred was determined.

   **Acceptable explanation**: The supplies being transferred were purchased via One Card. The administrative assistant did not review the One Card transactions by the deadline, which caused the transactions to post to the default One Card COA string, which is our departmental COA. Going forward, the administrative assistant will review all One Card purchases and assign the correct COA string or POET string, if applicable, to be charged before the deadline.

2. **Questionable explanation**: Transfer overage to related award.

   **Issue**: The transfer of overages from one award to another is not permitted. If expenses are being moved between two interrelated awards, the cost transfer description should clearly identify which costs are to be shared, the proportions in which the awards will share the costs,
and a clear indication of how the amount to be shared was determined.

**Acceptable explanation:** The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects, thus 50% of the cost of the highlighted items is being transferred.

3. **Questionable explanation:** To correct COA or POET string that was incorrectly charged due to clerical error.

**Issue:** Insufficient explanation of why and how the clerical error occurred, and why the error was not caught earlier. In general, this explanation is only adequate if a transposition error occurred, and such circumstances should be included in the description.

**Acceptable explanation:** The research assistant in the lab who ordered the supplies used a POET string of a project which was terminated. He has been instructed to use the new POET string. In the future, all supply orders will be reviewed and approved by myself or other administrator prior to submission of the order so that such errors can be prevented.

4. **Questionable explanation:** To charge a portion of a lab technician’s salary to a different award/project.

**Issue:** The reason for the transfer is missing, and there is no indication of why the HCM assignment costing was not updated timely to reflect the necessary change. The description should be expanded to include a description of the individuals’ role on the project, the portion of his/her salary being moved, and how the portion of salary being moved was determined.

**Acceptable explanation:** Transfer 50% of the lab technician’s salary to Dr. Smith’s award/project. This individual performed experiments with mice and was splitting his time between Dr. Smith’s NIH award and his NSF award but he did not notify anyone to update his costing for his labor distribution. We have talked with the lab technician and Dr. Smith to ensure that more timely information about the activities in the lab which impact the salary distributions be shared in the future with our HCM specialist to ensure that such errors in costing do not occur in the future.

5. **Questionable explanation:** Distribution change was not processed in time.

**Issue:** The explanation does not adequately address why the change was not processed in time. The description should be expanded to better explain the circumstances of the delay in processing the distribution change and the specific plan to avoid such occurrences in the future.

**Acceptable explanation:** The administrator was informed of a faculty member’s effort distribution change after the HR deadline for changes related to the January payroll. The faculty member has been requested to communicate changes in effort in a timelier manner in the future in order to avoid such circumstances.

6. **Questionable explanation:** Move charge from department.

**Issue:** The reason for the transfer is not stated. The description should be expanded to explain how the charge benefits the grant being charged and why the charge was not originally posted to the grant.

**Acceptable explanation:** The start date of the grant is December 1. However, the official award documentation was not received to setup the award in the Oracle PPM system until January 15.
The PI needed to purchase some materials to begin work on the project in December and they charged them to the department until the award was established. **Note:** the department could have also asked for an interim award to be set up and they could have used the project number created for the award to capture the cost and no cost transfer would have been necessary.

7. **Questionable explanation:** Change Dr. Wilson’s salary distribution on his sponsored funded project associated with his NIH award to 10%.

**Issue:** The amount charged to an award should be a reasonable reflection of the effort spent on the award. The salary distribution should reflect this reasonable amount of effort as a percentage of their 100% distribution. If this percentage causes the grant to be overspent then a portion of the effort should be reflected as cost shared and charged to the cost shared project associated with award.

**Acceptable explanation:** Dr. Wilson worked 14% of his time in January on this award, which ended January 31. The award is currently in deficit due to a salary increase in October. Please cost share 4% of January’s salary and fringe benefits so that his total effort on the award is 14% of which the sponsor is funding 10%.

VI. INFORMATION AND ASSISTANCE

Office of Contract and Grant Accounting: Telephone: 615-343-6655.
EXHIBIT A

OMB Uniform Guidance 2 CFR 200.405 (c)

Any costs allocable to a particular Federal award under the principles provided in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statues, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.


Cost transfers to NIH grants by recipients, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the recipient, consortium participant, or contractor. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.

Recipients must maintain documentation of cost transfers, pursuant to 45 CFR 74.364, and must make it available for audit or other review (see “Administrative Requirements—Monitoring—Record Retention and Access”). The recipient should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, recipients are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. NIH also may require a recipient to take corrective action by imposing additional terms and conditions on an award(s).