

POLICY ON COST TRANSFERS

Issued May 2012
Revised August 2015

I. PURPOSE

To establish guidelines for processing cost transfers that will comply with federal regulations.

II. EFFECTIVE DATE

This policy is effective on June 1, 2012. The policy applies to all costs incurred (or sponsored agreement budget periods beginning) on or after that date.

III. DEFINITION OF COST TRANSFER

A cost transfer is an after-the-fact reallocation of a cost from one account to another.

Cost transfers involving sponsored funds are implemented via the “Request for Cost Transfer” form.

IV. APPLICABILITY

This policy applies to cost transfers to or from federal and non-federal sponsored projects.

V. ALLOWABILITY

To be allowed, a cost transfer must be timely, made under appropriate circumstances, fully explained and documented, conform with College and sponsor allowability standards (that is, allowable under the terms of the sponsored agreement), and have appropriate authorizing signatures.

Per accepted cost principles (e.g. OMB Circulars), only reasonable, allowable and allocable expenses may be charged to a grant. Effective budgeting, appropriate expenditure procedures, and oversight should minimize the need to transfer expenditures.

VI. TIMELINESS

Cost transfers must be timely, made as soon as possible after the original transaction and within 90 days after the run date of the report where the original transaction appears. However, all cost transfers needed to correct errors in the original charges must be made regardless of timing.

Cost transfers made after the 90-day period will require an explanation as to why the transfer was not completed within the 90-day period and will require the signature of the Vice President for Financial Affairs and Chief Financial Officer.

VII. APPROPRIATE CIRCUMSTANCES

A cost transfer is made under appropriate circumstances when the charge qualifies as an allowable direct cost of the sponsored project being charged.

Typically, cost transfers are appropriate when their purpose is:

- To correct posting, bookkeeping or account code errors in the original charges.
- To reallocate costs between accounts. Costs must be reallocated for reasons other than transferring costs from over-expended projects to projects with available funds. The costs must be allowable, be allocated to the projects based on the proportional benefit, and be clearly documented. Example: Chemicals are purchased on one sponsored project but were used on three sponsored projects. The cost of these chemicals would proportionately be distributed to the benefiting projects. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, the costs may be allocated on any reasonable basis to the benefiting projects, provided that the basis is documented.
- To transfer costs to a continuation award or among sub-accounts under the same agency award (when permitted by sponsor).
- To move an unallowable cost off a sponsored account.
- To transfer over-runs from a sponsored account to a non-sponsored account, if the original charges were allowable.
- To transfer pre-award costs when the sponsor will accept such costs. Please note that, whenever possible, a pre-assigned account number should be established pending receipt of a sponsored agreement to facilitate charging pre-award expenses. This account number will require assured coverage of expenditures in case the sponsored agreement does not materialize. For federal awards, pre-award costs are generally allowed up to 90 days prior to award for research grants and cooperative agreements unless prohibited by the sponsoring agency. For details about specific agency requirements, contact OSP.
- To retroactively adjust salary costs between projects to reflect an individual's actual effort on the projects. The need for this kind of cost transfer may arise either:
 - When an individual's distributed effort changes, and is submitted on another HR/Payroll Form after its effective date, a retroactive adjustment is necessary. These transfers are necessary in order for payroll charges to be properly allocated

to the appropriate project.

- When salary costs must be adjusted because actual effort for a project differs from the effort originally charged. OMB cost principles allow for a reasonable estimate of effort. Olin has determined that changes in effort of 10% or less for the effort reporting period do not require a cost transfer.

Please note that whenever a cost transfer involves salaries, care must be taken to ensure that they are consistent with certified time & effort reports. Cost transfers that contradict certified time & effort reports will be permitted only under highly unusual circumstances and will require the signature of the person for whom the change is being made or his/her direct supervisor.

VIII. EXPLANATION & DOCUMENTATION REQUIREMENTS

The reasons for each cost transfer must be explained clearly and completely with the help of supporting documentation in order to prevent audit disallowances.

Explanations

Great care must be exercised to ensure that cost transfers are explained clearly and completely. When transfers are inadequately documented or made for inappropriate reasons disallowed costs will be absorbed by College sources.

Detailed and valid written explanations must clearly explain the following:

- The nature of the original transaction
- Why the receiving account was not originally charged
- Why it is appropriate to charge the receiving account – how this expense benefits the project account to be charged.

Examples of incomplete and invalid explanations that are not acceptable as stand-alone explanations include the following:

Incomplete Explanations

- Administrative error or oversight
- To correct an error
- To charge correct account
- To correct salary distribution

Invalid Explanations

- Late because Principal Investigator out of town
- Administrator on vacation
- Duties did not allow time for correction
- Work volume delayed charging the correct account

Documentation

The following documents must be attached to cost transfers:

- Transaction report highlighting the posting that supports the original charge(s).
- Any other documents you may consider necessary to support the explanation for the cost transfer.

IX. PROCEDURES

All transfers of expenses to or from a sponsored account after the original charge was posted are subject to the requirements of this policy. Cost transfers must be submitted to OSP for approval using the Request for Cost Transfer form with necessary signatures, and providing all supporting documentation.

Each transfer must be able to stand on its own merit and comply with the federal cost principles (reasonable, allowable and allocable).

X. SIGNING AUTHORITY

Required signatures are:

- If the request is related to a salary charge for which a Time & Effort Certification Report has been signed, a signature is required from the person for whom the change is being made or his/her supervisor.
- Principal Investigator/manager of account to be debited.
- Principal Investigator/manager of account to be credited.
- Manager, Post-Award Finance.
- Vice President for Financial Affairs and Chief Financial Officer (if the cost being moved is more than 90 days after the run date of the report where the original transaction appears).

XI. 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.

XII. FORMS

- Contact OSP for a copy of the Request for Cost Transfer Form, or download from our website: <http://www.olin.edu/offices-services/sponsored-programs/>

XIII. CONTACTS

If you have any questions about this policy, how to treat a specific cost, or need information, please contact the Office of Sponsored Programs at X2375.