

Policy 1305 Cost Transfers Involving Sponsored Projects

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Scope

This document sets forth Yale University’s policy regarding cost transfers, including transfer of payroll and other direct costs associated with sponsored projects.

Purpose of the Policy

This policy is issued to assure the integrity of the University’s charges for salaries, wages, goods and services on sponsored projects transferred to and/or from a sponsored project after an initial charge elsewhere in the University’s accounting system. Additionally, this policy is issued to ensure compliance with sponsor terms and conditions, regulations and University policies.

Policy Statement

- The University is committed to ensuring that all cost transfers (either in the form of a labor distribution adjustment or non-salary journal entry) are legitimate and are conducted in accordance with sponsor terms and conditions, regulations and University policy.
- All Principal Investigators (PI) and their Business Managers are responsible for ensuring that transfers of costs to sponsored projects which represent corrections of errors are made promptly.
- Cost transfers must be supported by documentation which contains a full explanation of how the error occurred and a correlation of the charge to the project to which the transfer is being made. Explanations such as “to correct an error” or “to transfer to correct project” are unacceptable.
- Transfers of costs to any sponsored project account are allowable only where there is direct benefit to the project account being charged. An overdraft or any direct cost item incurred in the conduct of one sponsored project may not be transferred to another sponsored project account merely for the sake of resolving a deficit or an allowability issue. Cost transfers should not be used as a means of managing awards.
- Cost transfers must be prepared and submitted within 90 days from the end of the calendar month in which the transaction appears on the award except in cases where the sponsor’s (federal or non-federal) terms and conditions are stricter than Yale’s policy.

Note: Agencies that fall under the Department of Health and Human Services (i.e., Agency for Healthcare Research and Quality (AHRQ), Centers for Disease Control and Prevention (CDC), Food and Drug Administration (FDA), Health Resources and Services Administration (HRSA), Substance Abuse and Mental Health Services Administration (SAMHSA), Administration on Aging (AoA) as well as other HHS agencies (excluding the

National Institutes of Health) have the following condition in the HHS Grants Policy Statement, “Permissible cost transfers should be made promptly after the error occurs but **no later than 90 days following occurrence unless a longer period is approved in advance by the GMO.**”

Any cost transfers submitted after 90 days require Office of Grant and Contract Financial Administration (GCFA) review and approval and will be granted only under extenuating circumstances and confirmation of approval by the sponsor when applicable.

- Cost transfers to correct an error must be completed regardless of timeframe if the correction benefits the sponsor.
- Yale University expects that costs directly charged to federally sponsored awards received by the University will comply with the cost principles outlined in the Office of Management and Budget (OMB) [Circular A-21](#).

Definition

Cost Transfer

A cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another sponsored project or non-sponsored project. Cost transfers include reassignments of salary, wages and other direct costs.

Policy Sections

1305.1 The Appropriate Account Should Be Charged Initially

The University expects that all costs charged to a sponsored project are correctly charged at the outset, such that charges to sponsored projects must be:

- allowable (the cost is allowed by federal regulations, sponsor terms and conditions, including program specific requirements and University policy);
- reasonable (reflects whether or not the individuals concerned acted with due prudence in the circumstances);
- allocable (the cost has a direct benefit to the account being charged); and
- treated consistently (like costs in similar instances are treated consistently throughout the University).

Goods and services should be charged or allocated among awards at the time of the original purchase whenever possible and practical, to avoid unnecessary cost transfers. The PI and the business office are expected to make personnel and corresponding payroll distribution determinations before any individual devotes effort to the project. When appropriate, At-Risk Accounts should be utilized (e.g., pre-award costs). (See [Guide 1304 GD.01](#)).

1305.2 Financial Reports Should Be Reviewed Regularly to Facilitate Timely Discovery of Errors

A departmental business manager or other designated staff member must provide the PI with monthly financial reports (i.e., Account Holder reports) and assist the PI in reviewing such reports. The PI must review the monthly sponsored project reports to identify legitimate errors in a timely manner and communicate required changes to the business office promptly.

1305.3 Authorization and Documentation of Cost Transfers

Individuals who prepare, approve or authorize cost transfers involving sponsored projects must complete the University's cost transfer training and be certified in order to obtain access to process cost transfers. Additionally, all cost transfers involving sponsored project funds, whether for labor or goods and services, require preparation and approval ensuring that no one person has complete control over all aspects of a financial transaction (See OMB Circular A-21 [Section C.4.\(d\)2](#)).

The departmental business office is responsible for ensuring that requested transfers are made promptly and all required documentation is on file. Documentation related to each cost transfer must be retained in the department according to the University's [Retention of University Financial Records Policy](#). It must be made available for verification during the course of an audit or other review.

Care must be exercised in making any cost transfer; therefore when a cost transfer is necessary the following information is required:

- authorization in writing that is signed and dated (email is acceptable) from the PI or a responsible individual;
- a detailed statement explaining how the error occurred;
- a description of how the cost benefits the award to which the cost is being transferred; and
- complete documentation (i.e., email, signed and dated memo, invoice, packing slip, and effort report when applicable) dating and verifying the original charge.

Note: The frequency of cost transfers *from or to* a sponsored project may be an indication of poor awards management.

1305.4 Cost Transfer Approval

GCFA has the authority to approve and post cost transfers to the University's financial system. GCFA will reject any cost transfer not meeting the requirements of this policy.

Note: Successfully submitting a cost transfer in the University's financial system does not necessarily mean the cost transfer was approved by GCFA. Cost transfers found later to be inappropriate will be charged to the department's general funds. Refer to the [Cost Transfers Involving Sponsored Projects Procedure 1305 PR.02](#).

Related Information

[OMB Circular A-21](#)

[NIH Grants Policy Statement](#)

Procedure [1305 PR.04](#) Unallowable Costs

Procedure [1305 PR.05](#) Determining Reasonableness, Allocability and Allowability of Costs for Federal Sponsored Awards

Procedure [1305 PR.02](#) Cost Transfers Involving Sponsored Projects

Revision History

Draft Policy was posted on the Draft site on 10/26/06. New Policy was created and issued on 11/8/06. Revised 11/06/09.

The official version of this information will only be maintained in an on-line web format. Any and all printed copies of this material are dated as of the print date. Please make certain to review the material on-line prior to placing reliance on a dated printed version.
