



Policy Title	Cost Transfer Policy
Policy Category	Academic/Research Policies
Policy Approval Date	
Policies Superseded	None
Responsible Office	Finance and Provost
Related Policies	<u>Principal Investigator & Assurances Policy</u>
Frequency of Review	3 Years
Date of Next Review	

I. SCOPE

This Cost Transfer Policy (“Policy”) applies to all faculty, staff, students, and other individuals involved in the administration of Departmental Budgets and Sponsored Projects at Arcadia University. The College of Global Studies finance team will provide guidance and direction on how Cost Transfers will be addressed for The College of Global Studies. All capitalized terms contained in this Policy are defined in Section IV below.

II. POLICY STATEMENT

The University recognizes that Cost Transfers are sometimes necessary to correct a bookkeeping or clerical cost misclassification in the original charges, and to allocate closely related work that may support more than one Sponsored Project. Frequent, late, or inadequately explained Cost Transfers raise serious questions about the propriety of the transfers and call internal controls into question. This may result in audit disallowances and monetary paybacks including penalties and fines.

The purpose of this Policy is to ensure that Cost Transfers to and from Departmental Budgets and sponsored accounts take place according to the specified guidelines set forth in this Policy.

III. POLICY

Original charges, salary and non-salary, should be directly charged to the appropriate Departmental Budget or Sponsored Project. If it is necessary to request a Cost Transfer that involves a Departmental Budget or Sponsored Project, requests should be made within ninety (90) days of the original charge and contain sufficient documentation and justification to support the Cost Transfer that would stand the test of a formal audit.

Although it is ultimately the Department Head or Principal Investigator’s responsibility to ensure the fiscal and programmatic management of a Departmental Budget, an award or contract, Financial and Administrative Services facilitates this endeavor by providing timely, comprehensive, and accurate fiscal reports of all costs, awards, and contracts. Misclassification in the cost reports should be identified by the Department Head or Principal Investigator as soon as possible but not later than ninety (90) days of the original expenditure.

The Department Head or Principal Investigator and/or designee should review expenditure activity regularly for allowability under the terms of the Departmental Plan or a Sponsored Project. Allowable costs on

Sponsored Projects are defined in the Federal Uniform Guidance, in the Sponsor's published guidelines, and in the sponsored agreement.

If it is determined that a Cost Transfer is needed, the Department Head, Principal Investigator, or designee should complete and submit the [Cost Transfer Justification Form](#) to Financial and Administrative Services, Attention: Assistant Controller. All transfer requests must contain sufficient documentation and explain why the cost misclassification was made and why this expenditure is appropriate for the department or Sponsored Project. It is unacceptable to transfer costs solely based on budget availability.

The allowability of Cost Transfers is dependent upon the following factors:

A. Timeliness

Cost Transfers should occur within ninety (90) days from the original charge with written justification. However, a charge that is older than ninety (90) days will not be moved to a Departmental Budget or Sponsored Project without an approval and sufficient explanation and documentation to address the late charge. The ninety (90) day Cost Transfer time limit applies when transferring costs to a Departmental Budget or a Sponsored Project. No time limit exists for removing expenditures from a Departmental Budget or a Sponsored Project. If inappropriate expenditures are discovered, they must be removed as soon as identified without regard to time limits.

B. Appropriate Circumstances

Typically, Cost Transfers are appropriate when the purpose is to correct coding or bookkeeping misclassification in the original charges, reallocate shared costs among cost centers, or to transfer pre-award costs approved by the Sponsor and in accordance with the [Uniform Guidance 2 CFR 200](#).

The [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200, Section 200.413](#) specify that "direct costs are those costs that can be identified with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy."

The [National Institutes of Health \("NIH"\) Grants Policy Statement of October 2018, Section 7.5](#) states that "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 ninety (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 75.364, and must make it available for audit or other review."

Usually acceptable Cost Transfers requiring little justification include:

- Cost Transfers with written approval from the Sponsor
- Typing misclassification in entering the account or fund number

Unacceptable explanations to describe Cost Transfers include:

- To correct coding
- To transfer costs
- Cost should have been charged to the grant
- To correct a cost misclassification
- To correct charge to the wrong account or fund number
- To correct salary distribution
- Administrative misclassification or oversight
- Charged to another account or fund number to expedite order

Unallowable Cost Transfers:

- Moving money from one Sponsored Project to another unless the expense was initially charged to the wrong Sponsored Project
- Transfer to a Sponsored Project of costs incurred after the Sponsored Project end date
- Transfers which do not explain why the cost misclassification occurred and how the cost is appropriate to the Sponsored Project to which it is being moved
- Transfers to spend out a Sponsored Project balance

C. Justification and Documentation Requirements

All Cost Transfer requests must be supported by the [Cost Transfer Justification Form](#) and signed by the Department Head, Principal Investigator, or an individual who has been given expenditure approval authority on the award by the Department Head or Principal Investigator, as well as, a responsible organizational official of the University or designee. The reason for each Cost Transfer must be clearly explained in the written narrative and include all appropriate supporting documentation. Financial and Administrative Services has primary responsibility for approving Cost Transfers for Departmental Budgets and Sponsored Projects and maintaining the related records.

All non-salary Cost Transfers involving a Departmental Budget or Sponsored Project are subject to the following documentation requirements:

- An explanation of the reason the original charge was not made to the appropriate cost center, account or fund number
- A justification for why this charge is appropriate for the Sponsored Project
- An explanation for the lateness of the request, if the request is made more than ninety (90) days after the original charge posted
- The signature of the Department Head, Principal Investigator, or an individual who has been given expenditure approval authority for the Departmental Budget or Sponsored Project by the Department Head or Principal Investigator
- The signature of the responsible University official or designee
- The [Cost Transfer Justification Form](#) should be on file with Finance and Administrative Services
- Any additional supporting documentation

All salary Cost Transfer requests will use the internal labor distribution system for any adjustments. Salary Cost Transfer requests will also use the [Cost Transfer Justification Form](#) and should contain similar justification information as noted above.

If a cost benefits two or more Sponsored Projects, departments, or activities in proportions that cannot be easily determined because of the interrelationship of the work involved, the cost may be allocated to Sponsored Projects or departments on any reasonable basis, provided that the allocation procedure (1) meets

the standards of the Sponsor and Federal Uniform Guidance, (2) is fully and clearly documented, and (3) is auditable by means of supporting documentation substantiating the allocation.

IV. DEFINITIONS

Cost Transfer: is a transfer of expenditure from or to a Departmental Budget or a Sponsored Project.

Department Head: The individual designated by the University to have the appropriate level of authority and responsibility to manage funds designated for a Departmental Budget.

Departmental Budgets: Allocated annual dollars to a department according to the University's overall financial plan.

Federal Uniform Guidance: is a "government-wide framework for grants management." An authoritative set of rules and requirements for federal awards. Uniform Guidance aims to reduce administrative burden on award recipients; guard against the risk of waste and misuse of federal funds; synthesize and establish standard language; direct the focus of audits on areas that have been identified as at risk for waste, fraud and abuse; lays the groundwork for federal agencies to standardize the processing of data; and clarifies and updates cost reporting guidelines for award recipients.

Principal Investigator: The individual designated by the University to have the appropriate level of authority and responsibility to direct a Sponsored Project.

Sponsor: The organization or funding agency that funds a Sponsored Project.

Sponsored Project: An externally funded activity in which a formal written agreement such as a grant, award, sub-award agreement, cooperative agreement, contract, or fellowship is executed between the University and a Sponsor.

University: Arcadia University, its colleges, schools, affiliates, divisions, and subsidiaries, except for The College of Global Studies.

V. EFFECTIVE DATE

This policy is effective on the date that it is signed by the President.

VI. SIGNATURE, TITLE AND DATE OF APPROVAL

Ajay Nair, President

3/26/19

Date