COST TRANSFER POLICY

Summary

There are circumstances where it may be necessary to transfer expenditures to a sponsored project. Cost transfers should be timely (within 90 days), fully documented, conform to university and sponsor allowability and allocability standards, and include appropriate approvals.

Policy

POLICY STATEMENT

While every effort must be made to charge costs to the correct account(s) when they are incurred, cost transfers are appropriate when their purpose is to correct posting or bookkeeping errors in the original charges, to appropriately reallocate expenditures between accounts, or to transfer pre-award costs from an institutional account to a sponsored project account. Prudence dictates that care must be exercised in making any cost transfer, especially transfers made after the termination date of a project and/or the reporting period of a project (i.e., annual financial reports). The transfer of 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 may be made, provided all of the following conditions are met:

• the cost directly benefits the project
• the cost is a proper and allowable charge to the project
• the transfer is supported by adequate documentation fully explaining the circumstances under which the error occurred and justifying the charge to the project to which the transfer is made
• the transfer is approved by the Principal Investigator (PI) and Sponsored Project Services (SPS).

The PI is responsible for ensuring that cost transfers to sponsored projects are made promptly. Cost transfers must be prepared and submitted within 90 days from the date on which it is discovered that the transaction was not charged to the correct account (the “discovery date”). Only in the case of exceptional circumstances will cost transfers be permitted more than 90 days after the discovery date.

Requests for cost transfers more than 90 days after the discovery date must:

• document in detail the reason for the late request to transfer the cost
• include appropriate approvals from the PI, cognizant dean, and SPS.

All costs charged to a sponsored project in error must be corrected regardless of when they are detected.
BACKGROUND
This policy promotes compliance with the requirements of OMB Circular A-21, OMB Circular A-110, NIH policy, and the requirements of other federal sponsors regarding cost transfers on sponsored projects.

Proper management of funds is essential to uphold the fiduciary responsibilities of the university. Frequent, late, and inadequately documented and explained transfers, especially those that involve sponsored projects with overruns or unexpended balances, raise serious questions about the propriety of the transfers and may result in expenditure disallowances and/or subsequent reduction in funding.

To comply with the cost allowability and allocability requirements of OMB Circular A-21, it is necessary to explain in full and justify transfers of charges to federal awards. Timeliness and justification are important factors in supporting allowability and allocability in accordance with the principles of the Circular and other federal regulations. OMB Circular A-21 explicitly states that expenses “.... may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.” The Circular goes on to say, “any cost allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.”

“Cost transfers to NIH grants by grantees should be accomplished within 90 days. 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 organization official of the grantee. 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. Grantees must maintain documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42 [record retention requirements] and must make it available for audit or other review. Frequent errors in recording costs may indicate the need for accounting system improvements and/or enhanced internal controls. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on awards.” (NIH Policy Statement: 12/01/03, pp.83-84).

APPLICABILITY
This policy applies to all sponsored projects (federal, state, and private) and all cost categories, including payroll costs.

DEFINITIONS

Cost Transfer - An after-the-fact reallocation of expenditures from one account to another account(s).

Principal Investigator - A Principal Investigator (PI) is a University at Buffalo (UB) faculty or staff member who bears responsibility for the intellectual leadership of a project. The PI accepts overall responsibility for directing the research, financial oversight, and compliance with relevant university policies and sponsor terms and conditions.
Sponsored Project - A Sponsored Project is any externally funded research, training, evaluative testing, or public service project directed by UB faculty or staff as part of their university work that requires the university to perform a specified program or deliver a specified product.

RESPONSIBILITY

Who should know this Policy
• Provost
• Vice Presidents and Vice Provosts
• Deans and Associate Deans
• Department Chairs
• Chief Financial Officers
• Principal Investigators
• Sponsored Projects Services staff

Principal Investigator
• Charge costs to the correct account(s) when they are first incurred
• Exercise stewardship over sponsored projects in accordance with university and federal policies and regulations
• Review account statement for accuracy and request any corrections within 30 days of account review

Department Chair
• Promote faculty and staff awareness of this policy

Dean
• Approve late cost transfers (past 90 days) in accordance with this policy

Sponsored Projects Services
• Authorize only those cost transfers that comply with this policy

Contact Information

Sponsored Projects Services
402 Crofts Hall
North Campus
Amherst, NY 14260
Phone: (716) 645-2634
Fax: (716) 645-2760
Website: www.research.buffalo.edu
E-mail: info@research.buffalo.edu
Related Information

University Documents:
- Financial Responsibility for Sponsored Projects
- Principal Investigator Eligibility
- OTPS Cost Transfer form – www.research.buffalo.edu/forms/spa/Cost_Transfer_Form_OTPS.xls
- Payroll Cost Transfer form – www.research.buffalo.edu/forms/spa/Cost_Transfer_Form_Payroll.xls

Other Documents:
- OMB Circular A-21 “Cost Principles for Educational Institutions”
- OMB Circular A-110 “Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”
- NIH Policy Statement: 12/03

Related Links:
- UB Policy Library
- www.research.buffalo.edu

Revision History

April 2009 Revised Policy Statement to include language pertaining to Discovery Date.

Presidential Approval

Signed by President John B. Simpson 2/19/07

John B. Simpson, President

Date