# POLICIES OF COLORADO STATE UNIVERSITY

## UNIVERSITY POLICY

<table>
<thead>
<tr>
<th>Policy Title: Cost Transfers on Sponsored Projects</th>
<th>Policy ID # 7-2001-018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date: Click here to enter text.</td>
<td>Category: 7. Research</td>
</tr>
<tr>
<td>Policy Owner: Vice President for Research</td>
<td>Contact(s):</td>
</tr>
</tbody>
</table>
|                                                    | Office of Sponsored Programs  
|                                                    | Assistant Director, Post Award  
|                                                    | 970-491-2848            |
|                                                    | https://vpr.colostate.edu/osp/39-2/ |

## PURPOSE OF THIS POLICY

The Office of Management and Budget’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 2 CFR 200.400, Subpart E, Cost Principles, requires that the institution must be able to explain and justify all charges transferred onto federal awards, whether the costs are transferred from some other federally-sponsored account, a non-federal account, or a University account. Section 200.405(c) states:

> "Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons."

Colorado State University expects costs to be charged to the appropriate sponsored project account when first incurred, but there are some circumstances in which it may be necessary to transfer expenditures to or from a sponsored account subsequent to the initial recording of the charge in the general ledger. This policy provides requirements and guidance to be followed to assure sound financial management of sponsored projects accounts, accurate reporting, and compliance with federal law.
APPLICATION OF THIS POLICY

This policy applies to all university employees and business units engaged in sponsored activities.

POLICY STATEMENT

Proper management of funds is essential to uphold the fiduciary responsibilities of the university. Frequent, late, and inadequately documented and unexplained 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. Knowledge of award and policy requirements and ongoing monitoring will improve the quality of financial reporting, improve compliance with regulatory requirements, and reduce the administrative burden and risks inherent in document corrections.

The federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). 2 C.F.R. § 200.413 specifies: “Direct costs are those costs that can be identified specifically 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.”

Cost transfers are permissible only when they are timely, reasonable, allocable, allowable and consistently applied direct costs of the sponsored project (as defined by institutional policy and the sponsor’s policy). Typically, the purpose of cost transfers is to correct errors in processing the original charges, move costs between accounts for closely related work that is supported by more than one funding source, or to transfer pre-award costs in accordance with the provisions of the Uniform Guidance.

Because the sponsored project principal investigator (PI), working with unit personnel and in the context of the system of controls, is responsible for all expenditures charged to the sponsored project account, all cost transfers must be approved by the sponsored project PI.
Transferring costs between accounts will only be allowed if the transfer is in accordance with university policies and is also fully compliant with all contractual terms and conditions, agreements, and external regulations and guidelines.

**POLICY PROVISIONS**

1. *Items that are Appropriate for Transfer*

The following are examples of transactions that may be appropriate for transfers between accounts:

- An error correction – includes typographical errors or transposition of digits in account number or amount. All errors must be corrected promptly after detection.
- A purchase charged to an account other than the one that benefitted from the use of the item (e.g., where an expenditure was charged to a departmental source pending identification of the sponsored project to which it should be charged).
- A reallocation of salary costs to reflect actual expended effort.
- The routine allocation of shared services and service center charges.
- The removal of unallowable expenses.
- While the use of pre-award accounts is preferred, in the absence thereof, the transfer of pre-award expenses from non-sponsored accounts.
- A transfer to clear potential or actual cost overdrafts.

2. *Requirements for Cost Transfer Requests on Sponsored Project Accounts*

Cost transfers must be processed as soon as possible after the original transaction, but in any case, not later than 90 days after the date of the original transaction.

Transfers made after this period of time are considered “late cost transfers,” raise additional questions concerning the propriety of the transfer, and could potentially heighten the level of scrutiny applied to all cost transfers university-wide. Requests for transfers made after 90 days must include a valid reason for the delay and will be permitted only under extenuating circumstances.
The University, and everyone covered under this policy, is obligated to remove and correct any incorrect charges made to sponsored accounts immediately, regardless of timeframe.

When transfers are delayed, a correction to the original source of an entry (e.g., an update to a personnel action) may not have been made in a timely manner. Therefore, care should be taken to carefully review the reason for the late transfer and take corrective action to prevent future recurrences.

Cost transfers on federal sponsored awards must comply with sponsors’ policies and meet all of the tests outlined in the *Uniform Guidance*. Federal standards are the default for non-federal sponsors that do not have specific cost principles.

3. **Tests for Appropriate Transfer**

For a cost transfer to be considered appropriate, the underlying expenditure must be all of the following:

- Submitted within the 90-day window described above
- Approved by the individual with the authority to allow the transfer
- An allowable business expense
- Reasonable and necessary
- Within planned budgetary constraints
- In compliance with the sponsor’s policies, regulations, and/or guidelines
- In compliance with appropriate university policies and procedures (see the Related Resources section of this policy)
- Appropriately documented (for additional information, see the Documentation Required for Cost Transfers and Monitoring of Accounts segment of this policy)

4. **Cost Overruns**

During review and prior to the award expiration date, it may be determined that an overdraft might occur. If an overdraft is anticipated, the department may move the costs to a non-sponsored account with the same function and treat it similar to cost sharing (see University Policy 2-6003-005, Cost Sharing for Sponsored Projects), or to another research-related gift
account or sponsored project account that also benefitted from the expenditure. Documentation of the benefit must be fully explained.

Continuing Awards: An expenditure overrun may not occur in cases where there is a continuing award budget period, where the sponsor permits the award to be treated as a single period. In such cases, the termination date on the account is changed to coincide with the new budget year. An example is a five-year award where each year’s budget is added to the previous year for a cumulative total. An overdraft in year two can be covered by the year three budget and no transfer would be needed. At the end of the five-year award, the expenditures must not exceed the total five-year budget.

5. Costs That Benefit More Than One Project

In limited situations, charging costs to a non-sponsored funding source initially and later reallocating these charges to sponsored projects may need to occur. However, this should only be done in unusual or special circumstances. The requirement of initially charging costs to the appropriate funding source should always be followed unless the costs benefit two or more projects or activities that are closely related, and the proportion of benefit received by each project cannot be specifically determined in advance. When this situation exists, costs may be transferred to the benefitting projects when the transfer meets all of the following conditions:

- The initial charge could appropriately have been allocated to either activity/account.
- The method of allocating the costs between the projects is reasonable and documented.
- The transfer is supported by documentation that contains a full explanation and justification for the transfer.
- The transfer is reviewed and approved by a responsible financial or administrative official of the organization in accordance with payment authority.
- Note: Transfers between related projects must still comply with the 90-day transfer period.

6. Transfers of Disallowed Costs

If a disallowance is identified, such as an out-of-budget-period expenditure, and approval making the cost allowable (e.g., sponsor approved budget change or project extension) has

POLICIES OF COLORADO STATE UNIVERSITY
Cost Transfers on Sponsored Projects       page 5
DRAFT 7-19-18
not been received, then the cost must be moved to an appropriate, non-sponsored account with the same functional classification (i.e., in the same cost base) to prevent recovery through the facilities and administrative (F&A) cost rate.

7. Inappropriate Reasons for Cost Transfers to a Sponsored Project Account

Inappropriate reasons for cost transfers include, but are not limited to, the following:

- Solely for the purpose of utilizing unexpended funds of a sponsored award
- As a cost management strategy
- Between unrelated sponsored projects to avoid or eliminate cost overruns
- To circumvent pre- and/or post-award restrictions
- For reasons of convenience

A transfer from a sponsored account to an unrestricted institutional account is always permitted.

8. Pre-Award Expenditures

Most federal grants (as opposed to contracts) allow costs to be incurred 90 days prior to the award effective date. For the efficient and economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred before the award start date. In such cases, departments/units are strongly encouraged to request a pre-award account through the appropriate channels and procedures. The pre-award account number becomes the permanent number when the award is fully executed by all parties; no cost transfers are needed.

Departments/units incur these pre-award expenditures and obligations at their own risk; should the agreement fail to become fully executed, then the pre-award account must be cleared by transferring the expenditures to a non-sponsored account.

9. Documentation Required for Cost Transfers

Each cost transfer must be clearly explained with supporting documentation. The transfer request must be supported with a full explanation of the reason for the transfer, how any
error occurred, and a certification of the correctness of the new charge by a responsible administrator (typically an individual with payment authority who has received assurance from the PI). The unit initiating the transaction has primary responsibility for fulfilling these requirements. For non-labor transfers, it is strongly encouraged that all associated documentation be included with the transfer transaction, so that it may be reviewed and retained centrally. The initiating unit is responsible for maintaining related records in accordance with university and award requirements. Documentation must accompany all requests for transfers of labor charges.

The following information is required in cost transfer documentation:

- A description of the cost(s) being transferred, including why and when the original charge(s) occurred
- Why the receiving account was not originally charged
- Why it is appropriate to charge the receiving account—the cost item must be allowable under the terms and conditions of the sponsored agreement and other regulations governing the sponsored agreement (see the appendix)
- That any systematic or administrative deficiency (if any) that caused the need for the transfer has been addressed
- If the transfer is subject to the 90-day limitation, but made after that time limit, the explanation must include a justification for lateness (see Requirements for Cost Transfer Request on Sponsored Project Accounts, above).

10. Closeout of Sponsored Project Accounts

Administrators of sponsored project accounts must be particularly careful to manage and monitor their accounts to avoid costs that are not reimbursable. Generally, no costs incurred after the award end date are allowable. Ongoing correction of incorrectly charged expenses is necessary throughout the project period to avoid most adjustments at the end of the project.

Cost overruns after the award end date of a project may not be transferred to another sponsored project account. Transfers of such costs must be to an appropriate, non-sponsored account. Unspent balances at the close of a project must, in most cases, be
returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds. For clarification of the terms of a specific sponsored project, contact the Office of Sponsored Programs.

Known adjustments or cost transfers of salaries and wages must be processed before effort has been certified through the effort certification process; payroll distribution and effort as certified must coincide. Cost transfers made subsequent to the effort certification process are problematic because they result in a break of certification.

Careful consideration must be given to personnel adjustments to ensure that accounts (projects) that benefit are charged properly and that further adjustments are not required.

**COMPLIANCE WITH THIS POLICY**

Compliance with this policy is required. Failure to comply may result in disallowance of costs or cost transfers, unit responsibility for unallowable charges, or violation of federal regulations. For assistance with compliance, contact the Office of Sponsored Programs, Assistant Director, Post Award, 970-491-2848.

**REFERENCES**

**PROcedures, forms and tools**
APPROVALS

Vice President for Research
By: ________________________________
   Alan Rudolph, Vice President

Office of General Counsel
By: ________________________________
   Jason L. Johnson, General Counsel

Office of Policy & Compliance
By: ________________________________
   Robert Schur, Exec. Director

FINAL APPROVAL:
COLORADO STATE UNIVERSITY
By: ________________________________
   Anthony A. Frank, President   date