

	Universidad Central del Caribe	Policy#	ADR 011
		Implementation Date	February 2015
	Contact	Dean of Administration	
	Sponsored Projects Cost Transfer Policy	Last Reviewed / Update	February 2020
		Approval by	President

Responsible Office: Fiscal Resources

Purpose:

To establish guidelines for the timing and appropriateness for cost transfers when at least one sponsored project is involved and to identify the mechanism to request and process inter-account money reallocations for sponsored projects.

Policy:

1. Definitions and Regulatory Framework

A cost transfer is an after the fact expense reallocation from one program to another to align the costs with the actual benefits received by the programs. The Principal Investigator/Project Director (PI/PD) is responsible for ensuring that all transactions are accurately charged to the correct project. When valid reasons justify the redistribution of expenses to a different program, the fully documented transactions must be completed in a timely manner in compliance with comprehensive federal regulations as well as sponsor-specific restrictions.

Any costs allocable to a particular sponsored agreement 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

Department of Health & Human Services (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 (Grants Management Officer). The transfer must be supported by documentation, pursuant to 45 CFR 74.53 or 92.42, that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible official of the recipient, subrecipient, or contractor. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient."

- *National Institutes of Health Grants Policy Statement* - "Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered."

Since sponsors may have more restrictive guidelines, the PI must consult Fiscal Resources when in doubt about the acceptability of the proposed cost transfer.

UCC requires that cost transfers be completed within 90 days from the original expenditure date, with the exception of cost transfers necessitated to adjust personnel percent efforts, which must be completed within 90 days of the percent effort certification issuance. In all cases, the 90-day time period is subject to other deadlines and may be shorter in any given case. For example, cost transfers for terminated awards must be received by Fiscal Resources before the 45th day after the award ends to avoid conflicts with the award closeout process.

2. Cost transfer adequateness

UCC allows the timely cost transfers for the following circumstances:

- To correct the clerical or bookkeeping error in the original transactions such as the transposition of numbers.
- To clear costs not allowed by the sponsor.
- To eliminate overdrafts of expenses that occurred during the last 6 months of a sponsored project that must be removed prior to award closeout.
- To adjust the salaries charged to a sponsored program to reflect the actual effort devoted to the project as indicated in the effort certification.

Inadequate reasons for cost transfers include:

- To transfer funds from one sponsored program to another to spend the former program's remaining funds.
- To cover the expenses of a sponsored program in deficit by transferring funds from another sponsored program.

For personnel costs, the only acceptable reason for transferring funds to or from sponsored programs is to align the costs with the actual effort devoted to the project as verified during the effort certification process. Once the percent efforts have been certified and the appropriate transfers have been completed (if necessary), no additional cost transfers should be processed for the certified effort period.

No cost transfers will be performed once the financial report is submitted to the sponsor.

3. Documentation and justification

Federal regulations assume that cost transfers are exceptions. It is imperative to document all cost transfers. Documentation includes a justification of why the expense was charged incorrectly to the first program and an explanation clearly showing that:

- the expense directly benefits the receiving program.
- the expense is allowable on the receiving program.
- any systematic error which might cause similar problems in the future have been addressed.

Simply stating, that the cost transfer is need "to correct an error" is unacceptable.

Under federal regulations, costs benefiting more than one project should be divided between the receiving programs in proportions that could be estimated using reasonable methods. A cost that benefits more than one project should be divided between the programs at the time of the expenditure. A sponsored program cannot be used as a holding account for costs that will subsequently be transferred elsewhere. Therefore, the following cost transfer justifications are unacceptable:

- The sponsored program was charged for a bulk purchase that is now distributed

- among the correct programs benefiting from the goods or services.
- Another program was charged while the funding for the correct award was pending.

Corrections Where Cost Transfers Are Not Required

- Transfers because of clerical errors may be initiated without approval of the principal investigator, and do not require completion of a cost transfer form.

4. Procedure

To initiate a request to transfer a cost on a sponsored program, the PI/PD or the Fiscal Resources Office must prepare a cost transfer form within the time period specified in this policy. It is the PI/PD's responsibility to verify the accuracy of the request, including:

- identifying of the specific time period and percent of time to be transferred for personnel costs or expense for non-personnel costs.
- calculating the accurate amount of direct and indirect costs being reassigned.
- complying with sponsor-specific cost transfer policies applicable to the award.
- writing a thorough justification for the cost transfer request.

The cost transfer must comply with the sponsor's guidelines and UCC policies. If the cost transfer is non compliant, the request will be returned to the PI/PD with an explanation for the denial. If the cost not approved and it cannot remain on the original account, the cost will be transferred to an account designated by the Dean of Administration or billed to the employee that incurred the charge.

All late or exceptional cost transfer requests must be authorized by department chair and approved by the Dean of Administration.

5. Roles and Responsibilities

Dean of Administration

- Approves all late or exceptional cost transfer requests
- Determines the receiving account for unapproved cost transfers that cannot remain on the original account.

Fiscal Resources Office

- Prepares or reviews and approves cost transfer requests or returns them to the PI/PD.
- Provides guidance for the interpretation and compliance with this policy.

Department Chair

- Authorizes all late or exceptional cost transfer requests

PI/PD

- Charges costs to the appropriate projects
- Requests cost transfers in a timely manner

Sample justification 1:

The supplies to be transferred were purchased with UCC funds. The laboratory manager did not review the account number in the purchase order. Going forward, the laboratory manager will review the purchase order to make sure the correct account is charged.

Sample justification 2:

The laboratory manager who ordered the supplies charged them to grant 12345 in error.

These supplies are to be used for research on the grant 67890. In the future, grant account charges will be reviewed by the PI/PD to ensure the correct account numbers are charged

Approved by:

Waleska Crespo
Waleska Crespo, DrPH

February 12, 2020
Date