



Research & Sponsored
Programs Accounting

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Programs Accounting Policy

Cost Transfers

Responsible Executive: Controller
Responsible Department: RSPA
Review Date: May 2015

POLICY STATEMENT

A cost transfer is a reallocation of cost, from one fund to another. Although occasionally necessary, federal regulations discourage and in certain instances disallow the movement of such expenditures. The purpose of this policy is to ensure compliance with federal policies and guidelines related to transfer of expense. This policy applies consistently to all sponsored projects.

Cost transfers must be sufficiently documented in accordance with the provisions of the Office of Management and Budget (“OMB”) as part of [2 CFR Part 200](#), Subpart E. These provisions require the University to relate financial data to performance data and to ensure such data is accurate, current and complete. These standards also require that accounting records include cost accounting records which are supported by source documentation. This documentation will assist in determining the reasonableness, allocability, and allowability of the cost in accordance with the terms and conditions of the award.

Frequent, tardy, or insufficiently justified transfers raise serious questions about the propriety of the transfers, the overall reliability of the University’s accounting system, the ability of the Principal Investigator (“PI”) to manage the account and the adequacy of internal controls.

1. Situations where cost transfers may be justified include:
 - a. Error Correction – Correction of clerical errors (such as typographical errors or transposition of account digits).
 - b. Closely Related Projects – in order to meet this definition projects must be managed by the same PI, scientifically and technically related, contain no change in the scope of the grant, the arrangement must not be detrimental to the effort approved under each award and the relatedness must not be used to circumvent the terms and conditions of each individual award.
 - i. When research on separate projects is closely related, it is possible that costs will be incurred that are allowable and allocable to either project.
 - ii. If, after charging an expense to one of the accounts, it is determined that all or part of the expense is more appropriately charged to a second account, the allocable portion of the expense can be transferred to the second account with proper explanation.
 - c. Cost Overruns
 - i. May only be transferred to another research account when the projects are closely related as discussed above.
 - ii. Expenditures associated with overruns which cannot be associated with a related research account must be transferred to non-grant funds.

- d. Disallowed Cost – If a disallowance is identified, that cost must be transferred to an appropriate departmental account.
2. Cost Transfers shall be supported by source documentation establishing:
- a. Timeliness
 - i. Any cost transfers must be done in a manner within 90 days of finding the error.
 - ii. At least monthly, funds should be reviewed by the PI, or the appropriate financial manager, to ensure all charges are appropriate and allocable to the fund.
 - b. Reasonableness
 - i. A cost transfer may only be completed if the expense is appropriate for the fund to which the cost is being transferred.
 - ii. Costs cannot be transferred from grant to grant to correct deficits, or to spend remaining grant funds before the grant expires.
 - c. Allocability
 - i. Expense must have been incurred to meet the objectives of the fund to which the cost is being moved.
 - ii. If a portion of an expense is being transferred to a grant it must be allocated in accordance with relative benefits received or other reasonable methods ([2 CFR 200.405\(a\)](#)).
 - d. Allowability
 - i. Charged must be allowed under various guidance, in the following order of precedence (highest to lowest):
 - 1. Terms and conditions of the award
 - 2. Terms condition of the program
 - 3. Terms and conditions of the agency
 - 4. Federal cost principles ([2 CFR 200.403](#))In addition to the guidance offered in the documents listed above, public law and University policy also provide a framework for allowability decisions. On occasion, costs may be allowable to a sponsor, but not allowable under University policy. Therefore, it is imperative to consult with your research administrator on any allowability concerns.
 - ii. Expenses transferred between grants must be within the active dates for the grant.
 - iii. Un-funded costs shall be transferred to an existing departmental fund until such time as an alternative funding source becomes available.

For additional clarification or information related to Reasonableness, Allocability, and Allowability refer to the policy “Determining Allowability of Costs.”

As a recipient of federal funding, the University of Notre Dame is responsible for establishing policies that ensure compliance with the requirements of [2 CFR Part 200](#), Subpart E, and the terms and conditions of federal sponsors. [2 CFR 200.405\(c\)](#) specifically 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 award, or for other reasons.”

In order to meet allowability and allocability requirements of [2 CFR 200](#), Subpart E, timeliness and completeness of justification is required.

Each federal agency may have specific guidance on allowable cost transfers.

As an example, the National Institutes of Health (NIH) Grants Policy statement states:

“Cost transfer to NIH grants by recipients... 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 recipient...”

“An explanation merely stating that the transfers 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 overruns are not allowable.”

“Recipients must maintain documentation of cost transfers, pursuant to 45 CFR 74.364, and must make it available for audit or other review... The recipient should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both.”

Please consult the appropriate sponsor’s grant policy guidance or your research administrator for further clarification.