

FLORIDA STATE UNIVERSITY POLICY 7A-5

COST TRANSFER POLICY

Responsible Executive: Gary K. Ostrander, Vice President for Research

Approving Official: Gary K. Ostrander, Vice President for Research

Effective Date: February 4, 2016 (Administrative change to update Federal regulation references only)

Revision History: New: July 1, 2010
 Readopted: August 1, 2014

I. Introduction

This policy applies only to cost transfers between or to sponsored projects.

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring:

- Frequent cost transfers.
- Late cost transfers.
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances.

Inappropriate transfers may result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency. Also abuse of cost transfers may result in more severe sanctions, fines, penalties and audit criticisms applied against the University.

II. Policy

It is the policy of the University that costs be charged to the appropriate sponsored project when first incurred. However, there may be circumstances in which it is necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Such transactions require monitoring for compliance with FSU policy, Federal regulations, sponsor specific guidelines, and the cost principles that guide fiscal activities on sponsored projects.

It is the responsibility of the Principal Investigator to provide fiscally-sound management of project expenses.

In order to maintain consistency in the treatment of cost transfers, this policy will be applied to all sponsored projects (Federal and Non-Federal) in the absence of written sponsor regulations.

Under this Policy, cost transfer requests must be received by Sponsored Research Administration (SRA) within 90 calendar days from the end of the month in which the error occurred.

For sponsored projects, final approval of any cost transfer shall be made by Sponsored Research Administration. SRA will not approve the transfer unless it is compliant with all applicable rules and regulations. If SRA becomes aware of an inappropriate charge on a sponsored project, the department will be notified to initiate a transfer to a non-sponsored account. If this transfer is not initiated within five (5) working days from date of SRA notification to the department, SRA will transfer the charge to an appropriate departmental or PI SRAD account.

REASON FOR POLICY

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring:

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GENERAL

FSU's *Policy on Direct and Indirect Costs* describes the criteria for charging costs to a sponsored project. These criteria and procedures should be understood by all persons having financial responsibilities relating to a sponsored project. It is recognized, however, that occasionally it may be necessary to transfer costs to sponsored projects. Careful consideration of necessity and propriety must be undertaken when considering transferring costs to a sponsored project.

The provisions of OMB Circular A-21 and 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards specifically permit some cost transfers while other cost transfers are definitely improper and unallowable. Both "proper" and "improper" cost transfers are discussed in greater detail below.

Improper Cost Transfers

OMB Circular A-21 (Cost Principles for Educational Institutions), Section C.4.b states: "Any costs allocable to a particular sponsored agreement under the standards provided in this Circular 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."

This regulation (A-21) specifically describes transactions that would be improper cost transfers between sponsored agreements. While it is not appropriate to transfer improper costs as specifically described in the regulation between sponsored projects, it may be possible to request a cost transfer from a sponsored project to another budget entity (i.e., departmental E&G or SRAD budget). Further discussion of this topic appears herein under the heading of "proper" cost transfers.

2 CFR 200.405 3.c., Allocable Costs of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards also states that (c) 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. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

The following examples illustrate improper and unallowable cost transfers between or to sponsored projects:

- When the transfer is for the purpose of utilizing unexpended funds.
- When the transfer is for the purpose of avoiding or alleviating an overexpenditure.
- When the transfer is for the purpose of moving a cost that is unallowable on one project to another.
- When the transfer is for the purpose of circumventing award restrictions.
- When the transfer is for the purpose of reimbursing a temporary "loan" of funds from another sponsored project. Reference the Policy on Advances at www.research.fsu.edu/contractsgrants/policypro.html.

Proper Cost Transfers

Generally, A-21 and 2 CFR 200 recognizes the need to make a cost transfer involving a sponsored project in either of the following instances:

- When the transfer represents an adjustment for an erroneous charge.
- When the transfer is for the purpose of assigning a portion of the cost to a sponsored project (split purchase).

These allowable cost transfers will be discussed in greater detail below.

Payroll Cost Transfers (Retroactive Distribution of Funding)

A salary cost transfer means the movement of payroll expenses (salaries and benefits) from one funding source to another. The distribution of salary charges for University personnel should be a reasonable reflection of the employee's effort. Salary distributions are based on personnel appointments. Careful consideration must be given to personnel allocations to ensure that sponsored projects that benefit from the effort are charged properly at the outset and that adjustments are not required. Therefore, appointments should be reviewed on a regular basis. PI's and department representatives are responsible for being familiar with FSU's Cost Sharing Policy and Procedures and how these requirements may affect personnel appointments. If appointment changes are anticipated, an ePAF or pPAF should be submitted in accordance with HR's published deadlines and procedures.

In the cases where changes in funding were not anticipated and result in the need to submit a Retroactive Distribution of Funding Form (RDF), the RDF must be received by Sponsored Research Administration **within 90 calendar days from the end of the month in which the error occurred** or **within 30 calendar days of the expiration date** for expired projects. Should a difference in salary distribution and actual effort be determined during the FACET approval process, then the RDF must be submitted prior to FACET **approval**.

The Sponsored Research Cost Transfer Justification Form must be submitted with all RDF's where costs are being transferred to a sponsored project. Sponsored Research Administration shall determine the adequacy of the justification and documentation.

There should not be an instance where an RDF is submitted which will change the way effort was **certified** on the FACET Report.

Non-Payroll Cost Transfers

Non-payroll cost transfers must be received by Sponsored Research Administration promptly after the error is detected but **in no event later than 90 calendar days from the end of the month in which the error occurred** or **within 30 calendar days of the expiration date** for expired projects.

Examination of the departmental ledger in a timely fashion (at a minimum monthly) by the PI (or designee) will permit early detection of erroneous charges. Cost transfers which represent correction of erroneous charges usually are the result of clerical or bookkeeping errors.

An Expenditure Transfer Journal Entry Form shall be submitted in order to correct an erroneous charge. In addition, the Sponsored Research Cost Transfer Justification Form must be submitted with all Expenditure Transfer Journal Entry Forms where costs are being transferred to a sponsored project.

Copies of all relevant documentation must be attached to support the explanation (e.g., requisitions, purchase orders, explanatory memoranda, etc.). Sponsored Research Administration shall determine the adequacy of the justification and documentation.

Split-Funded Expense

A particular expense may have direct benefit to more than one activity, e.g., the expense may benefit more than one sponsored project or it may benefit a sponsored project and another institutional activity.

OMNI allows multiple lines on a purchase requisition where each may have a different funding source, but it does not allow one line with multiple funding sources. This means that departments would always have to submit a journal entry to distribute the expense for a single line item purchase to transfer a portion of the cost to the benefiting activities.

In cases where it is appropriate to split the funding, a note should be included on the requisition or with an explanatory memoranda stating the intent to transfer a portion of the cost to other budgets and identifying all funding sources.

An Expenditure Transfer Journal Entry Form (Non-Construction Projects) must be prepared in order to transfer the appropriate share of the cost. In addition, the Sponsored Research Cost Transfer Justification Form must be submitted with all transfer requests where costs are being transferred to a sponsored project. Copies of all relevant documentation must be attached to support the explanation, e.g., requisitions, purchase orders, explanatory memoranda, etc.

Cost transfer requests of this nature should be received by Sponsored Research Administration shortly after the initial payment but **in no event later than 90 calendar days from the end of the month in which the error occurred** or **within 30 calendar days of the expiration date** for expired projects.

Cost Transfers Received after Receipt Deadlines

Cost transfer requests or RDF's received after the deadlines specified above **will be processed only in extenuating circumstances**. Extenuating circumstances **DO NOT** include absences of PI or responsible administrator, nor shortage or lack of experience of staff. It is the responsibility of the department and the PI to ensure the availability of qualified staff to administer and exercise stewardship over federally-funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

The reasons for requesting and submitting a cost transfer after the deadlines specified above must be documented in detail and will require the signature of the principal investigator, chair **and** dean. For sponsored projects, final approval shall be made by Sponsored Research Administration (SRA) will not approve the transfer unless it is compliant with all applicable rules and regulations.

NOTE: Any improper cost charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected. In cases when the error is detected after the limits of this cost transfer policy and there are not extenuating circumstances, the costs can **only** be moved to a non-sponsored account. If Sponsored Research Administration becomes aware of an inappropriate charge on a sponsored project, the department will be notified to initiate a transfer to a non-sponsored account. If this transfer is not initiated within five (5) working days from date of SRA notification to the department, SRA will transfer the charge to an appropriate departmental or PI SRAD account.

Issues Related to Cost Transfers

The situations detailed below are often encountered in the administration of sponsored projects. The proper treatment of these situations will generally preclude the need for cost transfers. Sponsored Research Administration can provide guidance and assistance when these issues arise.

Advance or Pre-award Costs. For the effective and economical conduct of a sponsored project it is sometimes necessary for costs to be incurred prior to receipt of the award document and actual funding. In such cases, departments should request either (1) an advance in accordance with FSU's *Policy on Advances for Externally-Funded Projects and Initiating Work without an Award*, and/or (2) preaward cost authority if the award will be subject to Federal Demonstration Project Terms and Conditions.

The advance or preaward budget number (Project ID) will become the permanent project

number when the award is effective and no cost transfers will be required or necessary.

Continuation Costs. If a continuation award is anticipated after the end date of the project, costs may continue to be charged to the current active cost center if approved in accordance with FSU's *Policy on Advances for Externally-Funded Projects and Initiating Work without an Award*.

Close-out of Sponsored Project Cost Centers. Principal investigators and departmental administrators overseeing sponsored projects should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not allowable, allocable and reasonable. Principal investigators and departmental administrators should review the award agreement and/or contact Sponsored Research Administration Post-Award if they are uncertain about the allowability of a certain expense prior to charging the sponsored project.

If unallowable costs have been incurred, they must be removed from the project and charged to an appropriate account following the procedures previously outlined. Generally, costs incurred beyond the project end date are not allowable. Ongoing corrections of incorrectly charged expenses are highly preferable to adjustments in the last few weeks of the sponsored agreement, although chronic and/or inordinately frequent corrections will be scrutinized.

Unexpended balances. It is improper to transfer costs to a sponsored project for the sole purpose of using unexpended sponsored funds. Unexpended sponsored funds must, in many cases, be returned to the sponsor at the close of a project. Exceptions may be fixed price contracts, agreements allowing carry-forward of funds, and agency-approved no-cost extensions. For clarification of the terms of a specific sponsored agreement contact Sponsored Research Administration.

III. Legal Support, Justification, and Review of this Policy

OMB Circular A-21

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Florida Statutes 1004.22

These policies will be reviewed periodically and updated when necessary.

Gary K. Ostrander, Vice President for Research

February 4, 2016