

Scope

This document sets forth Alabama A&M University's policy regarding cost transfers, including transfer of payroll and other direct costs associated with sponsored projects.

Purpose of the Policy

This policy is issued to assure the correctness of the University's charges transferred to and/or from a sponsored project after an initial charge elsewhere in the University's accounting system. Additionally, this policy is issued to ensure compliance with sponsor terms and conditions, regulations, and University policies.

Policy Statement

The University is committed to ensuring that all cost transfers are legitimate and are conducted in accordance with sponsor terms and conditions, regulations, and University policy.

All Principle Investigators (PI's) are responsible for ensuring that the transfer of costs to (or between) sponsored projects which represent corrections of error are made promptly.

Cost transfers must be supported by documentation which contains a full explanation of how the error occurred and a correlation of the charge to the project to which the transfer is being made. Explanations such as "to correct an error" or "to transfer to the correct project" are unacceptable.

Transfers of costs to any sponsored project are allowable only where there is a direct benefit to the project being charged. An overdraft or any direct cost item incurred in the conduct of one sponsored project may not be transferred to another sponsored project merely for the sake of resolving a deficit or an allowability issue. Cost transfers should **not** be used as a means of managing awards.

Cost transfers must be prepared and submitted within 90 days of the end of the calendar month in which the transaction posts as an expense to an award, except in cases where the sponsor's terms and conditions are stricter than University policy. Any cost transfers submitted after 90 days require Grants & Contracts Accounting Director review and approval, and will be granted only under extenuating circumstances and confirmation of approval by the sponsor, when applicable.

Note: Cost transfers to correct an error must be completed regardless of timeframe if the correction benefits the sponsor.

The University expects that costs directly charged to federally sponsored awards received by the University will comply with the cost principles outlined in 2 CFR Part 220 (OMB Circular A-21).

Cost Transfer Definition

A cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another sponsored project or a University project. Cost transfers include reassignments of salary, wages, and other direct costs.

Policy

1. **The appropriate account should be charged initially.** The University expects that all costs charged to a sponsored project are correctly charged at the outset, such that charges must be:

- a. Allowable – the cost is allowed by federal regulations, sponsor terms and conditions, including program specific requirements and University policy;
- b. Reasonable – reflects whether or not the individuals concerned acted with due prudence in the circumstances;
- c. Allocable – the cost has a direct benefit to the account being charged; and
- d. Treated consistently – like costs in similar instances are treated consistently throughout the University.

Goods and services should be charged or allocated among awards at the time of the original purchase whenever possible and practical, to avoid unnecessary cost transfers. The PI is expected to make personnel and corresponding payroll distribution determinations (utilizing the EPAF system) prior to any individual devoting effort to a project.

2. **Financial information in the University's accounting system should be reviewed regularly to facilitate timely discovery of error.** A departmental business manager or other designated staff member may assist the PI in reviewing financial information. The PI must identify legitimate errors in a timely manner and communicate required changes to Grants & Contracts Accounting promptly.
3. **Authorization and documentation of cost transfers.** All cost transfers involving sponsored project funds, whether for labor or goods and services, require preparation and approval ensuring that no one person has complete control over all aspects of a financial transaction.

The department is responsible for ensuring that requested cost transfers are made promptly and that a copy of all required documentation is forwarded to Grants & Contracts Accounting. Documentation related to each cost transfer should be scanned and emailed to Grants & Contracts Accounting.

Care must be exercised in making any cost transfer; therefore when a cost transfer is necessary the following information is required:

- Authorization in writing that is signed and dated (email is acceptable) from the PI or a designee;
 - A detailed statement explaining the reason for the cost transfer and, if applicable, how the error occurred;
 - A description of how the cost benefits the award to which the cost is being transferred; and
 - Documentation that provides evidence of the existence of the charge on the award from which the cost is being removed (i.e., Banner printout) dating and verifying the original charge.
4. **Cost Transfer Approval.** Grants & Contracts Accounting has the authority to approve and post cost transfers to the University's financial system. Any cost transfer not meeting the requirements of this policy will be rejected.