



SUBJECT: Cost Transfer Policy	Effective Date: 01-25-2013	Policy Number: 10.5.5	
	Supersedes: 02-23-2011 06-18-2010	Page 1	Of 7
	Responsible Authorities: Division of Research Director, Research Accounting		

I. Background

Florida Atlantic University is required by both OMB Circular A-21 (Relocated to 2 CFR, Part 220) and OMB Circular A-110 (Relocated to 2 CFR, Part 215) to have established principles for determining costs applicable to sponsored projects and to consistently and uniformly administer sponsored projects, respectively.

II. Purpose

The purpose of this policy is to establish uniform procedures for both Federal and Non-Federal sponsored projects in order to provide guidance and to ensure compliance of Cost Transfers with OMB Circular A-21 (Relocated to 2 CFR, Part 220) and OMB Circular A-110 (Relocated to 2 CFR, Part 215), federal and state regulations, as well as, sponsor terms and conditions.

III. General Statement

Research Accounting is available to answer questions and provide assistance regarding the requirements of the Cost Transfer Policy.

IV. Policy

It is the policy of Florida Atlantic University that costs are charged to the appropriate sponsored project when first incurred for all federal or non-federal sponsored programs for all cost categories, including payroll costs. However, the University recognizes that there are circumstances in which it may be necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. When a cost

transfer (non-salary and salary costs) is identified as a necessary reallocation of costs, the following is required in order to process a transfer:

1. Cost Transfers must be processed within 90 calendar days of the accounting date.

(A) Only in the case of exceptional circumstances will cost transfers for any expenses (including payroll re-allocations) which occurred more than 90 days after the initial recording of the charge be permissible (except NIH or DHHS). The reasons for a cost transfer over 90 days after the original charge must be documented in detail on a http://www.fau.edu/research/docs/forms/research-accounting/cost_transfer_form_nov2015.pdf must be accompanied with sufficient support documentation and will require signatures of the principal investigator and College Administrator. The Cost Transfer Request Form http://www.fau.edu/research/docs/forms/research-accounting/cost_transfer_form_nov2015.pdf requires approval from the Director of Research Accounting.

(B) The National Institutes of Health (NIH) and Department of Health & Human Services (DHHS) only allow cost transfers that occur within 90 days after the initial recording of the charge. Exceptional circumstances are not allowable under the terms and conditions of these sponsors. http://grants.nih.gov/grants/policy/nihgps_2003/NIHGPs_Part5.htm#_Toc54600120 .

2. Cost Transfers must be properly justified, accompanied with sufficient support documentation and submitted on the appropriate University form.

(A) **Justification** - The justification must be a detailed explanation in order for a reviewer to understand the transfer and conclude that it is appropriate. A statement that merely states “to correct error” or “to transfer to correct account” is not sufficient.

(B) **Documentation**

Non-payroll costs - The transfer must include a copy of the invoice, statement or receipt along with a copy of the departmental ledger that identifies the original charge that is being moved.

1. Equipment – Transfers of equipment must be accompanied by a Property Transfer Form to assure proper accountability of the equipment. http://wise.fau.edu/controller/property/pdfs/prop_trs.pdf

(C) **Form**

1. Non-payroll costs - The transfer must be submitted on a University Expenditure Transfer Form (ETF). http://www.fau.edu/controller/accounts_payable/xls/Journal_Entry_Expenditure_Transfer_Form_-_revised_4-1-09.xls

2. Payroll costs – The transfer must be submitted online through MYFAU.

3. Cost Transfers must meet the allowability, allocability and reasonableness guidelines described in OMB Circular A-21 and consistency in OMB Circular A-110, along with any sponsored agreement specific requirements.

Allowability: The cost must be allowable under the terms and conditions of the award, including the authorized budget and applicable regulations.

Allocability: The cost of goods or services must benefit the award charged. Goods or services shared by more than one project are allocable in proportions that can be approximated through actual use. Example: If you are charging Project A for 50% of an item purchased, Project A must receive half the benefit or use of that item.

Reasonableness: A cost may be considered reasonable if the nature of the goods or service acquired and the amount paid, reflect the action that a prudent person would have taken at the time the decision to incur the cost was made.

Consistency: The application of costs must be given consistent treatment within established University policies and procedures including Generally Accepted Accounting Principles and Cost Accounting Standards as issued by the Federal Cost Accounting Standard Board.

Timeliness: All transfers should be made in 90 days. Exceptions require full documentation of reason for delay. Exceptions are not applicable for NIH or DHHS sponsored projects.

If transfers are not adequately justified or are made for inappropriate reasons, which makes them unallowable for a particular contract or grant, the department may transfer those costs to a departmental overhead account, if the cost transfer supports the research endeavors of the college or department. Otherwise, the department must transfer the cost to a non-sponsored departmental account.

V. Definitions

Allocable	A cost is allocable to a project if goods or services involved are chargeable or assignable in accordance with the relative benefits received by the projects. In order to be allocable a cost must be treated consistently in like circumstances. For further information see OMB Circular A-21 (Relocated to 2 CFR, Part 220). http://www.whitehouse.gov/omb/circulars_a021_2004
Allowable	A cost is allowable to a project if: (1) the costs are reasonable; (2) the costs are allocable to the specific project; (3) the costs are treated consistently in like circumstances; and (4) the costs

conform to any limitations of the cost principles or the sponsored agreement. For further information see OMB Circular A-21 (Relocated to 2 CFR, Part 220).
http://www.whitehouse.gov/omb/circulars_a021_2004

Cost Transfer	An after-the-fact reallocation of either salary or non-salary cost.
Documentation	Providing a detailed explanation and support documents as evidence to substantiate allocability, allowability and reasonableness for a specific transaction.
OMB Circular A-110	Standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations. http://www.whitehouse.gov/omb/circulars_a110
OMB Circular A-21	established principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. http://www.whitehouse.gov/omb/circulars_a021_2004
Non-salary Costs	For purposes of this policy, non-salary costs are supplies, professional fees, travel, equipment and other non-payroll expenditures.
Reasonable	A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. [OMB Circular A-21(Relocated to 2 CFR, Part 220)]. http://www.whitehouse.gov/omb/circulars_a021_2004
Review	A process whereby transactions are analyzed to see if they meet the standards of allowability, allocability, reasonableness and are in accordance with Federal, State, Agency and University guidelines.
Salary Costs	For purposes of this policy, salary costs are payroll expenses for all classes of employees including students and OPS (salary and benefits).

VI. Accountability

Principal Investigators and their designees are responsible for reviewing charges on their awards in order to timely identify errors. The Principal Investigator, Dean, Director or Chair of the department who delegates responsibilities and decision making authority for cost transfers must ensure that the employees responsible for sponsored projects are

qualified and are properly fulfilling their responsibilities. Both Principal Investigators and their designees are responsible and accountable for compliance with the criteria that is required by the Cost Transfer Policy.

Research Accounting is responsible for reviewing and approving all cost transfers (non-salary and salary) for sponsored projects based upon the Cost Transfer Policy criteria.

VII. Procedures

The Principal Investigator and their designees should review expenditure activity on their sponsored projects on a regular basis to ensure allowability, allocability, reasonableness, consistency, and timeliness under the terms of a sponsored agreement.

In reviewing expenditure activity of a sponsored project, if a transaction has been determined to be charged to a sponsored project in error, then the Principal Investigator or designee should prepare the appropriate Cost Transfer Request Form http://www.fau.edu/research/docs/forms/research-accounting/cost_transfer_form_nov2015.pdf. The Cost Transfer Request Form must have adequate written justification and sufficient support documentation.

(1) Justification - The justification must be a detailed explanation of why the change is requested in order for a reviewer to understand the reason for the cost transfer and conclude that it is appropriate. A statement that merely states “to correct error” or “to transfer to correct account” is not sufficient.

(2) Documentation

Non-payroll costs - The transfer must include an Expenditure Transfer Form completed with justification and signatures attached to a copy of the invoice, statement or receipt along with a copy of the departmental ledger that identifies the original charge that is being moved.

1. Equipment – Transfers of equipment must be accompanied by a Property Transfer Form to assure proper accountability of the equipment.

http://wise.fau.edu/controller/property/pdfs/prop_trs.pdf

2. Travel – Transfers of travel costs must be accompanied by an approved Travel Authorization Request (TAR).

(3) **Form**

A. Non-payroll costs - The transfer must be submitted on a University Expenditure Transfer Form (ETF).

http://www.fau.edu/controller/accounts_payable/xls/Journal_Entry_Expenditure_Transfer_Form_-_revised_4-1-09.xls

B. Payroll costs – The transfer must be submitted online through MYFAU.

Completed and signed forms are to be submitted to the Office of Research Accounting, Administration Building, Room 210C.

Research Accounting will review all cost transfers (non-salary and salary) based upon the criteria of the University's Cost Transfer Policy. If the cost transfer is adequately justifiable, has sufficient support documentation and was submitted on the appropriate form, then Research Accounting will verify if the cost transfer is allowable, allocable, reasonable, consistent, and timely under the terms of a sponsored agreement. If Research Accounting is unable to approve a cost transfer due to lack of justification, support documentation, allowability, etc. they will return it to the requesting department. Cost Transfers that are approved by Research Accounting will be forwarded to the Controller's Office (Administration Building, Room 149) for further review and data processing.

The following are examples of both allowable and non-allowable cost transfers for salary and non-salary (this list is not inclusive).

Examples of allowable Salary and Non-Salary cost transfers:

- Cost Transfers with written approval from sponsor
- Cost Transfers between linked Banner funds for one project
- Correction of a clerical error such as a keypunch or transposition error
- Reallocation of expenses where multiple projects are benefited
- Reallocation of shared resource costs
- Transfer of pre-award costs from divisional or discretionary project funds to a sponsored project
- Reallocation of a salary expense to properly reflect effort
- Cost Transfers to move unallowable charges, or to eliminate a deficit, to *non-sponsored project*

Examples of unallowable Salary and Non-Salary cost transfers:

- Transfer of costs that were not incurred during the project period (incurred before the start date or after the project end date)
- Transfers to move costs from one sponsored project to another sponsored project for the sole purpose of removing a deficit.
- Transfers solely to use up unexpended funds, but do not appear to be of direct benefit to the project, i.e. transfers of costs during the last months of a project.
- Transfer of unidentified expense
- Random or regular rotation of costs, absent any information on actual use i.e., arbitrary charging of pooled costs such as photocopies or lab supplies.
- Costs should not be transferred more than once. Since the transfer has already been justified, documented and accepted as appropriate, any additional transfer would be highly suspect.

VIII. Annual Review of Procedures Manual

The Cost Transfer Policy will be reviewed annually.

POLICY APPROVAL

Initiating Authority

Signature: Barry T. Rosson Date: 1/25/13

Barry T. Rosson, Vice President for Research
