

COST TRANSFER INTERIM GUIDELINES

New York University

Cost Transfers

Financial Management

Responsible Office: Sponsored Programs Accounting

Table of Contents:

- I. Interim Guidelines Statement
 - II. Regulatory Standards
 - A. Allowability
 - B. Timeliness
 - C. Documentation and Explanation
 - D. Authorization and Approval
 - III. Cost Transfer Submission
 - IV. Roles and Responsibilities
 - V. Consequences of Non-Compliance
 - VI. Definitions
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I. Interim Guidelines Statement

This document establishes the guidelines and procedures for transferring costs FROM/TO a sponsored project. Adhering to these guidelines will safeguard the University, its faculty and staff from potential regulatory sanctions and loss of established privileges i.e., expanded authorities.

The purpose of these guidelines is to ensure proper financial accounting, reporting and compliance with applicable federal and non-federal sponsor policies.

A cost transfer is a reallocation or movement of costs FROM/TO a sponsored project after the original charge was posted in the University's general ledger system, *fame*. These cost transfer guidelines establish how a direct charge expense related to either Salary or Other Than Personnel Services (OTPS) may be transferred FROM/TO sponsored projects.

COST TRANSFER INTERIM GUIDELINES

II. Regulatory Standards

OMB Circular A-21, 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.”

OMB Circular A-110, Subpart C (.53) (e), states:

The Federal awarding agency, the Inspector General, Comptroller General of the United States, or any of their duly authorized representatives, have the right of timely and unrestricted access to any books, documents, papers, or other records of recipients that are pertinent to the awards, in order to make audits, examinations, excerpts, transcripts and copies of such documents. This right also includes timely and reasonable access to a recipient's personnel for the purpose of interview and discussion related to such documents. The rights of access in this paragraph are not limited to the required retention period, but shall last as long as records are retained.

NIH Grants Policy Statement revised 12/03, Part II Subpart A Cost Consideration – Cost Transfers, Overruns, and Accelerated and Delayed Expenditures, states:

“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. The 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 organizational official of the grantee, consortium participant, or contractor. An explanation merely stating that the transfer 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 cost overruns are not allowable.

Grantees must maintain documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42, and must make it available for audit or other review (see “Administrative Requirements—Monitoring—Record Retention and Access”). The grantee 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. If such errors occur, grantees are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on an award(s).”

COST TRANSFER INTERIM GUIDELINES

A. Allowability

All cost transfers FROM/TO sponsored projects must meet four allowability cost principles: *reasonableness, allocability, consistency, and conformance* (see IV. Definitions).

It is always preferable to charge costs to the correct project when they are incurred. However, costs transfers are sometimes necessary to:

- Correct bookkeeping or clerical errors in original charges. Clerical errors may include typographical or transposition errors. Other errors may be detected upon review of monthly Organizational Budget Reports (OBR's). It may be determined that a payroll distribution had not been updated, or a charge allocation to a project was inappropriate or inconsistent with the scope and use of the item(s) purchased on the grant to which it was originally charged;
- Reclassify cost overruns on sponsored agreements to voluntary or mandatory cost sharing accounts;
- Transfer costs to a federal award that was not in place when the expense was initially incurred (pre-award costs);
- Transfer costs to a continuation year of a project. This transfer is only necessitated by a delay in the receipt of a Notice of Award;
- Transfer costs between closely related projects. This type of transfer is appropriate provided that:
 - A. The initial charge could have been appropriately made to the other project. This may be caused by pertinent information being received subsequent to the date of the original entry, or it was impractical or impossible to allocate charges at the time of the original entry;
 - B. The transfer explanation clearly justifies why the particular charge is appropriate to either of the agreements;
 - C. The projects are under the direction of the same PI;
 - D. The PI approves the transfer. (Please note: in some cases sponsor approval may be necessary i.e., re-budgeting.)

Cost transfers between sponsored activities are **not allowed** in the following circumstances:

Cost Overruns – Unless clearly stated in the agency guidelines, cost transfers to solely cover an actual or anticipated overrun are not allowable. Overruns must be transferred into discretionary accounts or operating accounts.

COST TRANSFER INTERIM GUIDELINES

Unexpended Balances – Unless permitted by the sponsored agreement, cost transfers solely to eliminate unexpended balances at the close of a project are not allowable. Unexpended balances may need to be returned to the sponsor; this is contingent based on specific language in the agreement.

Report Rendered – If the final financial report has been submitted to the sponsor, a cost transfer TO a sponsored project will not be processed without sponsor approval. A cost transfer FROM a sponsored project, to correct an error, will be processed and may require a revised financial report.

B. Timeliness

All payroll and OTPS cost transfers related to sponsored activities should be *submitted within 90 days of the original date the transaction was posted in the University's general ledger, or within 30 days of the project terminating, whichever is earlier*. In extreme cases, if a transfer is required after the 90-day period, more stringent guidelines must be met to satisfy sponsor regulations. Examples of extreme cases include delays in award notification or the Principal Investigator's departure or absence due to sabbatical leave. SPA will not process a cost transfer submitted greater than 90 days after the end of the grant year in which the original transaction was posted to *fame*.

A pattern of frequent cost transfers, or transfers submitted within 90 days of the project close-out, will be subject to additional review.

90-day Window: Retroactive Payroll Adjustments

Retroactive payroll adjustments within the current fiscal year (September 1 – August 31) should be processed in the Personnel Action Submission System (PASS). Any payroll adjustment relating to a payroll period prior to September must be processed by completing a paper Personnel Action Form (PAF), which must be submitted to SPA for approval. SPA will forward the PAF to Payroll for processing. For PAFs, the 90-day window for payroll retroactive adjustments is calculated by SPA based on the first pay date corresponding to the adjustment period and the date the request is received by SPA. For PASS, the 90-day window will be determined at the point in which the PASS action is submitted.

90-day Window: OTPS

OTPS cost transfers require a journal entry to be submitted to SPA through the RUL process. The 90-day window for OTPS charges is calculated by reference to the date the original transaction was posted in the University's general ledger (*fame*) and the date the RUL entry is received by SPA.

C. Documentation and Explanation

All cost transfers must include a detailed explanation and justification (i.e., rationale for allocation among projects) for the transfer. If a transfer is to correct an error, an explanation that merely states that the transfer was made to "correct an error" is not sufficient.

COST TRANSFER INTERIM GUIDELINES

If the cost transfer is submitted at a date *greater than 90 days* from the respective measurement date, an *additional* explanation is required as to why the transfer is late. Cost transfers greater 90 days will be subject to increased scrutiny by SPA and may be disallowed.

The cost transfer explanation must answer the following questions:

If transfer is made within 90 calendar days from when the original transaction was posted in the University's general ledger, answer questions 1 and 2; if over 90 days, answer all 4 questions.

1. Why was this expense originally charged to the account from which it is now being transferred?
2. Why should this charge be transferred to the proposed receiving account?
3. Why is the cost transfer being requested more than 90 calendar days from when the original transaction was posted in the University's general ledger?
4. What action will be taken to eliminate the future need for cost transfers of this type? Is this action being taken?

D. Authorization and Approval

The PI or designee must submit the payroll account change (retroactive adjustment) to their school/departmental Human Resource Officer for processing. PASS transactions approvals are defined at the school/departmental level.

Journal entries with appropriate explanations for OTPS transfers must be submitted in accordance with the guidelines outlined below.

The department must maintain documentation to evidence that the PI directly approved any cost transfer between closely related projects. However, the cost transfer can be submitted by the PI's designee.

Within the 90-day Window

All transfers requested within the 90-day window must be submitted by either the PI or his/her designee i.e., departmental administrator or Fiscal Officer (or delegated approver).

Greater than the 90-day Window

All transfers requested greater than the 90-day window must be submitted by the Fiscal Officer (or delegated approver) for the School.

The PI or designee's submission certifies that all costs transferred are for appropriate purposes and in accordance with sponsor guidelines and award documents.

COST TRANSFER INTERIM GUIDELINES

III. Cost Transfer Submission

OTPS Cost Transfers

In order to facilitate processing, all OTPS cost transfer journal entries and detailed explanations must be emailed to the respective Controller's Division unit using one of the following email addresses:

cdv.ras.je@nyu.edu (RUL source code)

cdv.finrep.je@nyu.edu (FUL source code)

cdv.acctops.je@nyu.edu (GUL source code)

Once the transfer has been approved, the OTPS entry will be uploaded to *fame*.

Payroll Cost Transfers

PAFs related to payroll cost transfers must be submitted to SPA for approval. SPA will forward the PAF to the central Payroll Department for processing.

PASS transactions will be automatically processed after being approved by SPA.

IV. Roles and Responsibilities

Principal Investigator – The Principal Investigator has a fiduciary responsibility for the management and administration of the sponsored project in accordance with sponsor and University guidelines.

Departmental Administrator (or designee) – The Department Administrators assist the PI in the financial and administrative management of sponsored projects, including processing of cost transfers. The departmental administrator in conjunction with the PI are responsible for completing timely reconciliations between *fame* and underlying details i.e., Salary Expense Report, and departmental records. ***The administrator must ensure that all financial activity is properly recorded in the University's financial system, which is the source for all financial reporting.***

Fiscal Officer – The fiscal officer, or delegated approver, must approve cost transfer requests greater than 90 days after the original charge was posted in the University's financial records.

Sponsored Programs Accounting (SPA) – SPA is responsible for processing cost transfers.

COST TRANSFER INTERIM GUIDELINES

V. Consequences of Non-Compliance

Inappropriate or inadequately documented cost transfers can have significant financial and administrative effects on the University. The Federal government as well as other sponsors can disallow expenses charged to projects. There can be penalties and other sanctions. The following are examples of implications and consequences:

- Potentially unfavorable audit outcomes;
 - Non-compliance with federal regulations including Office of Management and Budget (OMB) Circulars A-21 (Cost Principles), A-110 (Administrative Requirements) and A-133 (Audits of Non-Profit Institutions), as well as other sponsor regulations;
 - Poor internal and audit controls;
 - Inadequate or ineffective grants administration;
- Loss of privileges such as:
 - Expanded Authorities granted by Federal sponsors – This allows the University to oversee and authorize rebudgeting, carryovers, and to complete cost transfers without prior approval.
 - Suspension or Debarment of the Principal Investigator and/or the University
 - Letter-of-Credit – This would significantly impact the University’s ability to rapidly recover project costs by means of electronic reimbursement.
 - Disallowances with potential damages – This could include penalties and interest.
- Negative publicity may result in loss of future grant funding and philanthropy;
- Subject to increased scrutiny by the Office Inspector General;
- Loss of “low-risk” grantee status – This would result in increased audit scrutiny and audit costs;
- Forfeiture of grant balances if cost transfer is disallowed; and,
- University imposed sanctions including:
 - Loss of privileges such as StaplesLink and P-Cards
 - Restricting cost transfers from sponsored projects to departmental operating or discretionary accounts
 - Increased financial oversight by Sponsored Programs Accounting (SPA)

COST TRANSFER INTERIM GUIDELINES

VI. Definitions

Account Correction – An account correction is an **adjustment within the same project** where payroll and OTPS costs are moved between account lines.

OMB A-21 Cost Principles:

Reasonableness

A cost is considered reasonable if the nature of the goods or services acquired or applied, and the associated dollar amount, 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. The cost principles elaborate on this concept and address considerations such as whether the cost is of a type generally necessary for the organization's operations or the grant's performance; whether the recipient complied with its established institutional policies in incurring the cost; and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal Government and the public at large as well as to the University.

Allocability

A cost is allocable to a specific grant, function, department, etc., known as a cost objective, if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. The allocation method used should be documented.

Consistency

Grantees must be consistent in assigning costs to cost objectives. Therefore, although costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, they must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, so as to avoid duplicated charges.

Conformance

Conformance is the adherence with limitations and exclusions as contained in the terms or conditions of an award. Sponsors may have specific regulatory guidelines which further define conformance. For example, the NIH Grants Policy Statement, a section titled "Allowability of Cost/Activities" provides information common to most NIH grants and, where appropriate, specifies some of the applicable distinctions if there is a different treatment based on the type of grant or grantee. Each grantee must be familiar with each sponsor's regulations in addition to the standard OMB A-21, A-110 and A-133 as well as University policies.