

Governors State University

COST TRANSFERS

Policy Statement

Cost transfers must be sufficiently documented in accordance with the provisions of Office of Management and Budget (“OMB”) [2 CFR Part 200](#). 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 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.

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. Pre-Award Costs – At times it is necessary to begin spending on a research award prior to receiving the award document
 - i. Pre-award costs must be authorized in accordance with sponsor and University policies.
 - ii. Such costs must be charged to a department or discretionary account and then transferred to the new award account when established.
 - iii. Transfer of pre-award costs should be made in a timely manner to ensure costs are recorded in the proper accounting period. However, they cannot be charged to the fund until it is in effect.
 - c. 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.
 - d. Cost Overruns
 - i. May only be transferred to another research account when the projects are closely related as discussed above.
 - ii. Overruns which cannot be transferred to a related research account must be funded with non-federal funds and such amounts must be properly accounted for as cost sharing and included in the organized research base.
 - e. Disallowed Cost – If a disallowance is identified, that cost must be transferred to an appropriate non-federal account.
2. Cost Transfers shall be supported by source documentation establishing:
 - a. Timeliness
 - i. Any cost transfers must be done in a timely manner based on sponsor guidelines but no more than 180 days of finding the error.

- ii. At least monthly, funds should be reviewed by the PI or the appropriate financial manager in order to identify any expenses that have been incorrectly charged to the wrong 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 objective 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 reflect the percentage of use on that grant.
- d. Allowability
 - i. Charge must be allowable under the terms and conditions of the award and in accordance with federal and sponsor guidelines.
 - ii. Expenses transferred between grants must be within the active dates for the grant. An example of allowability is equipment: the cost for which may not be transferred from Fund A to Fund B if Fund B does not contain an equipment budget.
 - 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 statement “Determining Allowability of Costs”.

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 statement is to ensure compliance with federal policies and guidelines related to the transfer of expenses to/from federally funded sponsored projects. As a recipient of federal funding, Governors State University is responsible for establishing policies that ensure compliance with the requirements of 2 CFR Part 200 and the terms and conditions of federal sponsors.

In order to meet allowability and allocability requirements of 2 CFR Part 200, timeliness and completeness of justification is required.

In addition, the National Institutes of Health (NIH) Grants Policy Statement states:

“Cost transfers to NIH grants by grantees...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 organizational official of the grantee...”
“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 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. 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.”

Each federal agency has specific guidance on allowable cost transfers in their Grant Policy Manuals.