

Policy Title	Cost Transfers for Sponsored Programs	Policy Number	141
Section	Governance, Organization, and General Information	Approval Date	December 4, 2014
Subsection	Publications, Reports, Research, and Records	Effective Date	December 4, 2014
Responsible Office	University Compliance Services Post-Award Administration		

1.0 PURPOSE

1.1 Proper management of sponsored programs/external funds is essential to uphold the fiduciary responsibilities of the University. Frequent, late, and inadequately documented and/or unexplained cost transfers, especially those involving sponsored projects with overruns or unexpended balances, raise serious questions about the propriety of the cost transfer. Questioned cost transfers may result in disallowances of expenses and/or reduction in funding. Knowledge of award and policy requirements and ongoing monitoring will improve the quality of financial reporting, improve compliance with regulatory requirements, and reduce the administrative burden and risks inherent in document corrections.

2.0 REFERENCES

2.1 OMB Circular A-21 *Cost Principles for Educational Institutions*

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

“...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.”

2.2 OMB Circular A-110 *Uniform Requirements for Grants and Agreements with Institution of Higher Education, Hospitals, and Other Nonprofit Organizations*

http://www.whitehouse.gov/omb/circulars_a110

2.3 *The False Claims Act* (31 USC §§ 3729-33)

2.4 UVU Policy 114 *Conflict of Interest*

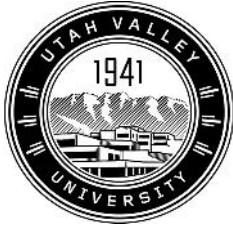
2.5 UVU Policy 139 *Cost Sharing for Sponsored Programs*

2.6 UVU Policy 204 *Appropriateness of Expenditures*

3.0 DEFINITIONS

3.1 Adequate documentation: Full explanation of how an error occurred, reasons why the original charge was incorrect, and/or justification for making the retroactive charge, together with appropriate supporting documents to the extent available.

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3.2 Allocable: A cost is allocable to a particular cost objective (i.e., specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

3.3 Allowable: A cost or expense that meets the tests set forth by OMB Circular A-21 and that is consistent with university and award-specific terms and conditions (OMB Circular A-21, C2).

3.4 Award: A written agreement between Utah Valley University and a sponsor where the sponsor commits funding to the University.

3.5 Cost overrun: A cost that is recorded in a sponsored project index in excess of the approved project budget.

3.6 Cost transfer: A reassignment of expenses to or from a sponsored project(s) after initially being charged to a separate funding source; a transfer of costs from one project's index to another project's index.

3.7 Direct cost: A cost that directly benefits and is specifically identifiable to a sponsored project or program or that can be directly assigned to such a project with a high degree of accuracy (OMB Circular A-21, D1).

3.8 Facilities and Administrative (F&A) costs (indirect costs): Those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project. These costs were previously known as indirect costs (OMB Circular A-21, E1).

3.9 Index: A place to record financial activity in the general ledger. Each index has specific characteristics (attributes) that govern its use and presentation in financial reports.

3.10 Late cost transfer: A cost transfer that is requested to be made 90 or more days after the date of the original transaction.

3.11 Reasonable: The cost may be considered reasonable if, and only if, the nature of the goods or services acquired and the amount involved reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the costs was made. (OMB Circular A-21, C3)

3.12 Sponsor: An external entity that provides funding for a program, project, or activity.

3.13 Sponsored project: A project funded by a grant, contract, or cooperative agreement under which the University agrees to perform a certain scope of work, according to specified terms and conditions, for a specific, budgeted monetary compensation within a specified period of performance.

3.14 Timely: For the purposes of this policy, timely is within 90 days of the original accounting date.



4.0 POLICY

4.1 Administration of sponsored agreements is a joint undertaking of the University and the principal investigator/project director (PI/PD). The University and the PI/PD share responsibility for the fiscal and administrative management and for using the funds prudently for the purposes for which the award was made. PI/PDs and department administrators must ensure charges to sponsored projects are accurate and in accordance with direct charging practices described in OMB Circular A-21 and university policy. Funding agency requirements concerning the management of awards made to institutions may limit the circumstances under which cost transfers are allowed.

4.2 Salary and non-salary cost transfers within a sponsored project index are generally allowable if they are initiated to correct an error, if they are made on a timely basis, if they are not restricted or limited by the sponsor's policy, and if they include appropriate justification and adequate documentation.

4.3 All sponsored project index activity must include charges that are reasonable, allowable, allocable, and consistently treated. Transfer requests must also be timely, adequately documented, conform to university and sponsor standards, and have proper authorization.

4.4 An after-the-fact reallocation or transfer of costs, either salary or non-salary costs, to a sponsored project must occur within a 90-calendar-day period from the accounting date. Late cost transfers require authorization by the PI/PD's associated vice president or the president and may require authorization from the sponsor.

4.5 The University's records must contain adequate documentation supporting an evaluation of the transfer. Frequent, tardy, or inadequately explained transfers, especially when they involve indexes with cost overruns must be avoided and may result in a change of PI/PD or termination of the sponsored agreement.

4.6 Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or Facilities and Administrative costs (OMB Circular A-21, C10 and OMB Circular A-21, C11).

5.0 PROCEDURES

5.1 Financial reports for sponsored projects (e.g. non-appropriated funding) must be reviewed monthly in order to identify and facilitate the timely submission of any required cost transfer.

5.2 Cost transfer forms must be completed and returned to Finance and Business Services within 90 days of the original transaction or within 45 days after the end date of the project's budget period, whichever comes first.

5.2.1 Late cost transfers will require additional justification and approval of the PI/PD's associated vice president or the president.

5.3 When the need for a cost transfer arises, a request must be made to the Finance and Business Services using the appropriate form.



5.4 All cost transfers must include the following documentation:

- 1) An explanation for the transfer. The explanation must be sufficient for an independent reviewer (i.e., a federal auditor) to understand the transfer and conclude that it is appropriate. An explanation that merely states that the transfer was made 'to correct an error' or 'to transfer to the correct project' is not sufficient.
- 2) A reference identifying the original transaction.
- 3) A written approval. Cost transfers must be approved by the PI/PD and certified that the changes are correct and the costs are allowable.

5.5 Cost transfer forms with inaccurate or incomplete information, or forms with insufficient and/or inadequate explanations, will be returned to the department and/or the PI/PD.

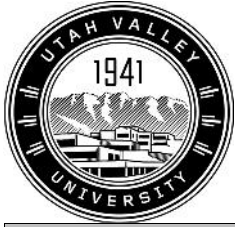
5.6 Cost transfers may be appropriate if made

- 1) To correct clerical and data entry errors.
- 2) For costs incurred in connection with an anticipated award that fails to materialize.
- 3) When charges directly benefit more than one program and, therefore, a distribution of the costs is justified based on the benefits received.
- 4) When subsequent information is received indicating the charges have had material benefit to the grant or contract and are not otherwise prohibited by the terms of the award.
- 5) To move expenses off an index that are outside of the budget period and/or project period of the award.
- 6) For clearly justified and authorized business necessity.

5.7 Cost Transfers are not appropriate:

- 1) For the purpose of utilizing unexpended funds of another award.
- 2) For the purpose of circumventing award restrictions.
- 3) To avoid cost overruns.
- 4) For reasons of convenience to the department and/or PI/PD.

5.8 Cost transfers involving payroll may require a new certification of the time and effort report to be completed.



UTAH VALLEY UNIVERSITY
Policies and Procedures

POLICY HISTORY		
Date of Last Action	Action Taken	Authorizing Entity