SOM & SON Guideline for Cost Transfers after 180 Days

Effective November 1, 2011

Purpose The purpose of this guideline is to provide clarity and consistency on the approval process of cost transfers after 180 days.

Definition A cost transfer is a movement of costs associated with a transaction between two cost objects, of which at least one must be a federally sponsored project (30x – 34x, 20x – 24x and 35x, 38x, 25x, or 28x WBS Elements which were originally funded by a federal agency). This includes salary and non-salary costs.

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3 months</td>
<td>As defined by the department</td>
</tr>
<tr>
<td>&gt; 3 months</td>
<td>Department and Management Center (may require cost-sharing)</td>
</tr>
<tr>
<td>&gt; 6 months</td>
<td>Unallowable cost to federal sponsors (must be charged to institutional funds) (Exceptions require Management Center / Vice Dean/Provost approval)</td>
</tr>
</tbody>
</table>

Source: GAP NO. 200.150 Cost Transfers On Federally Sponsored Projects

Guideline

Transactions that do not create a disadvantage to the federal sponsor\(^1\) are generally acceptable unless the original charge date is outside the project or budget period. All cost transfers must meet the requirements of allowability, allocability and reasonableness. They must also meet timeliness standards in that the initial charges must have been incurred within the appropriate budget period. If charges are being transferred which occurred outside of the appropriate budget period, (for example, pre-award charges) they must meet federal standards for pre-award costs.

The following example is not categorized as cost transfers, but for purposes of convenience and business process monitoring, the R3 ZF418 – Non Salary Cost Transfers (ZJ) tool will be used to record non-payroll transactions.

- Transactions between General Ledger accounts within the same cost object.

Allowable Cost Transfers: Transfers that do not create a disadvantage to the federal sponsor are generally acceptable unless the original charge date is outside the project or budget period.

Examples of allowable cost transfers:

- Transactions between Parent and Sub cost object with concurrent budget periods.
- Transactions from a federal cost object to an institutional cost object.

\(^1\) See Appendix A - Prime Sponsor Lookup Instructions to determine if the prime sponsor is federal
**Extenuating Circumstances:** Cost transfers > 6 months (>180 days) are reviewed on a case-by-case basis and **will only be approved in rare instances due to extenuating circumstances.**

Examples of allowable extenuating circumstances:

- Late issuance of a cost object. The department must show that a Cost Object Request was submitted to ORA for approval within 90 days of the current project or budget start date. **Charges should be transferred within 90 days of the cost object issuance.**
- Correcting a recent iForm that mistakenly changed a correct original cost distribution. The Notification Numbers of the incorrect iForm and the correct iForm should be included in the justification for reference. **Corrections should be made within 90 days of the incorrect transfer.**

**Unacceptable Justifications:** The grantee and the Principal Investigator (PI) are responsible for ensuring the availability of qualified staff to administer federally sponsored funds in accordance with applicable policies and procedures.

Examples of unacceptable justifications:

- Staff shortage
- Lack of staff experience
- Principal Investigator (PI) or grant administrators’ absences
- Interdepartmental communication issues*

*In the event it is determined that two units are involved in a disallowed cost transfer action, cost sharing will be split evenly between the departments involved, unless one department can show documented, repeated requests to have the other department correct the issue, including escalation to the SOM Management Center, if necessary.*

Federally sponsored projects **should not be used as a holding account** for expenses that will be transferred elsewhere, including competing or non-competing continuations of the same project for which the notice of award or the new cost object has not yet been received. Charges that are “parked” on a sponsored award do not pass the OMB Circular A-21 test of allowable and allocable. **Any unallowable charge should be moved to an institutional fund.**

Requests for pre-award spending and Cost Object Requests are important tools to properly track expenses on sponsored funds and avoid untimely cost transfers.

Late issuance of an award is generally not an acceptable justification for a late cost transfer. Late cost transfers can be avoided if Pre-award Spending and Cost Object Requests are submitted appropriately.

**Justification:** The justification on a cost transfer should be clear and concise, citing specific issues and timelines that prevented a timely transfer. A corrective action plan should be included to prevent recurrences. General reasons such as “administrative oversight,” “clerical error,” or “transfer to correct code” are insufficient for approval. If an iForm has a special condition approved by OSP or a cost transfer that requires OSP action, then the name of the OSP representative and the special condition or
OSP action should be included in the justification. The following questions should be answered as a part of the justification:

1) Why was the expense originally charged to the account from which it is now being transferred?
2) Why should this charge be transferred to the proposed receiving federal account?
3) Why is the cost transfer >180 days?
4) What is done to prevent future occurrences?

Once a cost transfer >180 days is rejected by the Management Center, the charges intended for transfer from a federal cost object to another cost object must immediately be moved or cost-shared to an institutional cost object.
Appendix A

180 Day Calculation in iForms

Changes in iForms effort distributions are considered untimely if they are submitted 180 days or more after the payroll period being changed. This calculation is based on certain default dates set up in R3. Specifically, the 180 days is calculated based on the pay period begin date of the current payroll period. This is the default effective date on the iForms and the 180 days is calculated backwards from the effective date. The default effective date changes based on payroll and the processing schedule.

Examples:

<table>
<thead>
<tr>
<th>iForm Final Approval Date</th>
<th>iForm Cut Off Processing Date</th>
<th>Pay Period Begin Date</th>
<th>&gt;180 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/12/2011</td>
<td>End of Day 1/14/2011</td>
<td>1/1/2011</td>
<td>Any effort start date before 7/1/2010</td>
</tr>
<tr>
<td>1/14/2011</td>
<td>End of Day 1/14/2011</td>
<td>1/1/2011</td>
<td>Any effort start date before 7/1/2010</td>
</tr>
</tbody>
</table>


Based on the iForm calculation, there will be situations where some submissions are considered >180 days even though an iForm is submitted before 180 days. The third scenario in the table above shows that if an iForm is submitted on 1/15/2011, it is approximately 165 days, but the change in pay period begin date automatically classifies the iForm as >180 days.

Prime Sponsor Lookup Instructions

Cost Objects in the 35x and 38x range may have federal prime sponsors. The cost transfer policy and guideline applies if the cost object has a federal prime sponsor. The R3 report, ZF403 – Project Master Data Information Sheet, will display the Federal Prime Grant Number and/or the Federal Prime Sponsor Name if the prime sponsor is federal.