



University of Colorado Denver

Campus Guidelines

Title:	Cost Transfers on Sponsored Projects, 4-12
Source:	Office of Grants and Contracts
Prepared by:	Director of the Office of Grants and Contracts
Approved by:	Vice Chancellor for Research
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Applies to:	All campuses

A. Introduction

The purpose of this policy is to establish guidelines and procedures for the transfer of costs between or to sponsored projects and to prescribe the conditions under which cost transfers may be accepted as charges to sponsored projects. This policy applies to all cost transfers from any source of University of Colorado Denver (UCD) funding to sponsored projects.

Each UCD department is responsible for complying with and enforcing the following policies and procedures. Any penalties, disallowances, or losses of funding caused by non-compliance with this policy will be assessed against the department in violation of the policy.

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C. References

The following policies outline requirements on costs transfers:

1. Office of Management and Budget Circular A-21, Section C.4 and Appendix A, Cost Accounting Standards, 502

2. National Institutes of Health Grants Policy Statement, October 1, 2010, *Cost Transfers, Overruns, and Accelerated and Delayed Expenditures*
3. National Science Foundation Grant Policy Manual, Chapter VI, Allowability of Costs
4. Health and Human Services Grants Policy Statement, Chapter 6-05, *Cost Transfers*
5. Title 45, Code of Federal Regulations Part 74, subpart D
6. University of Colorado Administrative Policy Statement, *Fiscal Roles and Responsibilities*

D. Definitions

1. Allocable costs are costs that can be charged to a university program/project, in reasonable and realistic proportion to the benefit provided relatively easily with a high degree of accuracy.
2. Cost Transfer is the transfer of a cost incurred initially on one university program/project and subsequently transferred to a sponsored project. A cost transfer does not include items posted to a suspense account or program that are cleared to the appropriate project on a timely basis (less than 60 days from the original posting).
3. Federally Sponsored Agreement means any grant, contract, or other agreement between the University and the Federal Government, or any subgrant, subcontract, or other agreement received by the University and the original source of funding is from the Federal government.
4. Sponsored Projects are research, instructional, or public service activities that are related to the mission of the UCD and sponsored by external agencies or entities. If an award meets at least one of the following criteria, it is likely a Sponsored Project. However, the existence of any one of the criteria may not be determinative.
 - a. The award is a grant or contract from a governmental entity, unless exempted under OMB Circular A-21.
 - b. The proposal responds to a Request for Application (RFA), Request for Proposal (RFP), or other formal solicitation, and the project is initiated by notice of award. Certain RFPs issued by private charitable foundations may not qualify as a Sponsored Project.
 - c. The award includes terms that bind the university to a list of scholarly or scientific inquiry.
 - d. The Statement of Work specifies programmatic objectives mutually agreed upon by the university and the sponsor, which are to be accomplished within a specific period of time or within a detailed budget framework.
 - e. The sponsor is entitled to receive the following types of deliverables: a detailed technical report of research results, milestone reports, or a required report of

allowable expenditures. Certain reporting requirements of private charitable foundations that are stewardship- or accountability-oriented may not qualify as Sponsored Projects.

f. The award requires separate accounting procedures and detailed financial reports.

g. The sponsor requires the return of unexpended funds or only reimburses for incurred costs (expenditure-driven).

h. The award provides for compliance audits by or on behalf of the sponsor, which may or may not include a financial audit.

i. The award is for a project requiring compliance oversight including, but not limited to: human subjects, animal use, biohazards, or bio-safety.

j. The award terms include publication or data restrictions or monitoring.

k. The sponsor requests intellectual property rights or controls the disposition of capital equipment.

l. The award is by a sponsor who has licensing rights to inventions from the same lab/researcher benefiting from the award.

m. The sponsor designates a sponsor employee (agent) as project technical monitor (as opposed to designating a contact person to improve communications).

n. The award is for a sub-award project under a federal award.

o. The award requires a matching or cost sharing commitment on the part of the university.

p. The award generates program income to a federal award.

q. The award from the sponsor is for membership fees to centers and affiliate programs. The university may receive membership fees for its centers and affiliate programs, as characterized by any one of the following examples:

i. The member agreement imparts "Center Member" status to the sponsor.

ii. The member receives the right to exert any type of control over the operation of the institute, center or program.

iii. The member receives special or discounted access to laboratories or other university facilities for its use.

iv. The member receives patent, licensing rights, or other intellectual property rights provisions benefiting the sponsor.

E. Policy Statement

1. General

Any project direct expense should be charged to the project(s) that is benefited by the expense, so long as this type of expenditure is allowable by the Sponsor, by OMB Circular A-21 and Cost Accounting Standards. In addition, the amount of the expense must be reasonable. If a project is not directly benefited by the expenditure, then the expense cannot be charged to that project.

If a direct expense has been charged to an incorrect project number, this error should be corrected via a Journal Entry (JE) or Payroll Expense Transfer (PET). Any such JE/PET that includes a speedtype that is contained in Funds 30 or 31 will incorporate a Cost Transfer Certification Statement. This certification statement requires that all expenses contained on the JE/PET are true and correct, that costs transferred to a sponsored project (Fund 30 or 31 FOPPS) are reasonable, allowable, and allocable, and in accordance with award terms.

OMB Circular A-21, *Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions*, states that "...any costs allocable to a particular sponsored agreement...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." Furthermore, "...any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored agreements."

UCD recognizes that transfers of costs from one project to another are occasionally necessary to correct bookkeeping or clerical errors in the original charges. The University also recognizes that closely related work may be supported by more than one funding source and that in such cases a cost transfer may be completed to split the expense between projects. Again, all projects receiving a portion of the expense must directly benefit from this expense.

Frequent, tardy, unexplained or inadequately explained transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the University's accounting system and internal controls.

As a result, any cost transfer journal entry involving a program/project that is in a deficit status, has unexpended funds at the end of the project or is being requested more than 90 days after the transaction date requires extra explanation addressing these issues as part of the JE's supporting documentation.

2. Cost Transfer Requests and Required Certification

The transfer of costs to a sponsored project requires the JE/PET preparer to electronically certify that all expenses contained on the JE/PET are true and correct, that costs transferred to a sponsored project (Fund 30 or 31 FOPPS) are reasonable, allowable, and allocable, and in accordance with award terms. This is completed by checking the box located next to the certification statement contained on the header

screen in the JE/PET creation process. This certification must be completed for all costs being charged to sponsored programs, and includes projects funded by both Federal and non-Federal sources.

a. Reasons for Requesting Cost Transfers

Expenses transferred to sponsored projects are very prone to audit and must be clearly supportable. Transferring costs because of a deficit or other reasons of convenience is not appropriate. Charging costs to one sponsored project with the intention of repaying the sponsored project when an award is received is also not appropriate.

i. Correction of Errors

The transfer of costs to sponsored projects to correct clerical or bookkeeping errors must be made promptly after the errors are discovered and, where possible, prior to the submission of a grant expenditure report or invoice for a cost reimbursement agreement.

The transfer must be supported by documentation that contains a full explanation of how the error occurred and a certification of the correctness of the new charge by a UCD by a responsible UCD organizational official. An explanation that merely states that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.

Frequent errors in the recording of costs may indicate the need for improvements in the department's internal controls. Where such errors occur, departments are encouraged and may be required to evaluate the need for improvements in these areas and to make improvements which are deemed necessary.

ii. Closely Related Work

If the criteria of closely related work is the reason used to authorize a transfer, prior approval of the sponsor to describe the projects as related for purposes of allocating costs is required and must meet any criteria defined by the sponsor.

In these instances, a cost transfer JE/PET may need to be completed to split the expense between two or more projects that are directly benefited by this expense.

3. Types of Cost Transfers

a. Transfer of Non-salary Expenditure

A transfer of non-salary costs is made via a Journal Entry (JE). If a Fund 30 or 31 speedtype is included in a Journal Entry, the PeopleSoft Financial system will require the JE preparer to check-mark the Certification Statement indicating that this statement is true as it applies to this JE.

The JE preparer should obtain sufficient supporting written documentation to promote understanding of the following:

- (1) Why the JE is required, including how and/or why the error was made;
- (2) Why it is appropriate to charge the expenses to the project referenced in the JE; and
- (3) Assurance that the charges are reasonable, allowable, allocable, and in accordance with award terms. This supporting documentation must be attached to the paper copy of the JE and forwarded to Finance.

When recording cost transfers, the “long description” on the journal entry should include the cause of the error. An explanation merely stating that the transfer was made “to correct an error” or “to transfer to correct project” is not sufficient. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable.

Please note that the preparer can validate the JE, but the approval must be completed by the Office of Grants and Contracts. If a JE is not approved by the Office of Grants and Contracts, it will be returned to the preparer with explanation as to why it was not approved. Corrections to JE’s should be made within 90 days from the date the error was discovered.

b. Transfer of Salary Expenditures

Transfer Period

i. Transactions originally entered after April 1, 2003

The department will need to prepare and submit electronically via the PeopleSoft Human Resources system using a Payroll Expense Transfer (PET), and must include a complete and reasonable explanation for the retroactive salary transfer. The PET includes a certification statement.

When recording cost transfers, the “header description” of the payroll expense transfer should include the cause of the error. 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 budget period to the next solely to cover cost overruns are not allowable. Payroll expense corrections must reflect actual effort and commensurate certification of level of effort will also be required through the “Personnel Effort Report” (see Certification on Personnel Effort Report (PER) below).

ii. Transactions originally entered between July 1, 2000
March 31, 2003

The department will need to prepare and submit electronically a PET via the Finance system with a complete and reasonable explanation for the retroactive salary transfer. Concurrently, the department will need to

send to Grants and Contracts Accounting an e-mail (OGC.PET@ucdenver.edu) that contains the payroll expense transfer journal entry number associated with the payroll transfer(s), a brief justification, and a certification statement.

iii. Transactions originally entered before July 1, 2000

Contact the Grants and Contracts Accounting Manager.

Please note that adjustments to transactions that fall into this timeframe should be very infrequent. Departmental review of monthly financial reports should be completed on a timely basis and errors should be identified and corrected within a reasonable amount of time. In most instances, a reasonable timeframe would be within 90 days of transaction.

All PET's should include sufficient supporting documentation as described above.

c. Timeliness and Recording of Cost Transfers

i. The timeframe for requesting a cost transfer should happen immediately on discovery of an error or as soon as possible, but not more than 90 days after the discovery of the error. Departmental review of monthly financial reports should be completed on a monthly basis identifying and correcting all errors within a reasonable amount of time. In most instances, a reasonable timeframe would be within 90 days of the transaction.

Cost transfers impacting expenses that are more than 180 days old are extremely suspect. If the error being corrected is more than 90 days after the discovery of the error or more than 180 days after the original posting, additional information should be provided in the payroll expense transfer or journal entry on why the correction was delayed and how the delay will be avoided in the future.

ii. When recording cost transfers, the "header description" of the payroll expense transfer or the "long description" on the journal entry should include the cause of the error. 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 budget period to the next solely to cover cost overruns are not allowable. Payroll expense corrections must reflect actual effort and commensurate certification of level of effort will also be required through the "Personnel Effort Report" (see Certification on Personnel Effort Report (PER) below).

4. Certifying Effort

UCD utilizes an electronic, semester-based (fall, spring and summer semester) electronic Personnel Effort Reporting system (ePER) (for all faculty and staff who must report their activity. When the new level of salary support is materially different from the original effort certified, the ePER must be certified to reflect that

the project receiving the transferred payroll expense benefited from the activity performed by the employee.

5. Retention of Documentation

The hard-copy JE or PET with the supporting documentation attached will be retained by the Finance Department. This will be the “official” document. As a result, it will be retained in accordance with its record retention policy, and will be made available for verification during the course of an audit or other review made by, or on behalf of, a sponsoring agency.