



COST TRANSFERS TO FEDERALLY FUNDED AWARDS

California Institute of Technology

Pasadena, California

Issuing Authority: Office of Research Administration

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Definition and Policy:

A **cost transfer** is an after-the-fact transfer of costs (labor or non-labor) from a sponsored or non-sponsored award to a federally funded award. Ideally, all costs should be charged to the appropriate federal award when first incurred. However, there are circumstances where it may be necessary to transfer expenditures to a federal award subsequent to the initial recording of the charge.

Caltech is committed to ensuring cost transfers are made in accordance with federal (Office of Management and Budget "OMB" Circular A-21) and agency regulations and Institute policy. To comply with these requirements, it is necessary to explain and justify the transfer of charges to federal awards from other federal or non-federal accounts. Timelines and completeness of transfer explanations are important factors in supporting allowability and allocability in accordance with the principles set forth in the Circular.

When is a Cost Transfer Allowed?

Federal requirements concerning the management of awards made to institutions such as Caltech limit the circumstances under which costs transfers are allowed. Examples of typical circumstances where costs transfers are allowed (if submitted on a timely basis) are as follows:

- Error Correction – May include clerical errors (transposition, typographical) or other errors identified during the review of expenditure reports (labor distribution schedules not updated, purchase charged to a PTA that was not the one that benefited, etc.).
- Reallocation of effort and other non-labor expenses where multiple projects benefited.
- Reallocation of shared services.
- Transfer of pre-award costs – It is recommended that a pre-award account be established to prevent the need for such transfers.

Overspent Accounts

Special provisions apply to cost transfers to Federal awards from overspent Federal awards. If an award is overspent, there is a presumption that the cost transfer is being made to alleviate the overspending. In general, cost transfers from overspent awards will not be allowed. For the purposes of this policy, Caltech defines an account as overspent when expenditures exceed funding based on the funding source award number. Note that one award from a funding agency may have been divided amongst more than one award for internal accounting purposes at Caltech. If one Caltech award is overspent but the overall award from the agency (based on funding source award number) still has available funding then the award will not be considered overspent. Requests for transfers from overspent awards to other Federal awards must be approved by the Division Chair.

Cost Transfer Deadlines

Cost transfers should be prepared as soon as the need for the transfer is identified. The deadline is 90 days from the date when the charge is first posted in OGM (which will not necessarily be the date the cost was originally incurred). For example: for a charge first posted in OGM on May 2nd, the 90-day period would begin on June 1st and end on August 31st. Any cost transfer request submitted after 90 days or three months requires the completion of a Cost Transfer and Justification Form signed by the Principal Investigator and the Division Chair. These requests will be approved **only in extenuating circumstances** (See Appendix A on Extenuating Circumstances)



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Procedures:

- a.) **Non-Labor Cost Transfers (e.g. materials and supplies, and equipment)**
- A Cost Transfer and Justification Form should be signed by the Principal Investigator or cognizant administrator, and sent to Project Accounting for review, approval, and input into OGM. Attach supporting documentation.
 - *If the transfer is made from an overspent award to a federal award or if it is over 90 days, the PI must sign and the Division Chair must approve.*
- b.) **Labor Cost Transfers**
- Labor distribution adjustments are entered into the LD module by Division personnel and reviewed and processed by the Labor Distribution Unit in Human Resources. Indicate:
 - i. If the transferor award is overspent.
 - ii. Who reviewed and approved the cost transfer request. Cost transfers should be authorized by the PI responsible for the federal PTA to which the cost is being transferred or by the cognizant administrator to whom the PI has delegated responsibility to authorize such transfers.
 - iii. Why the labor expense was originally charged to the account from which it is now being transferred.
 - iv. Why the labor expense should be transferred to the proposed receiving account (i.e. how does the receiving account benefit and is the cost allowable and allocable under the terms of the receiving award)
 - v. V. Any additional information to support transfer from an overspent award?
 - *If the transfer is being made from an overspent award to a federal award or if it is over 90 days, a Cost Transfer and Justification Form must be completed in order to obtain the signature of the Division Chair. The justification entered into the LD module should refer to the Cost Transfer and Justification Form. The Form, with supporting documentation, should be sent to Project Accounting for review and approval. If approved, a copy of the Cost Transfer and Justification Form and any supporting documentation will be forwarded to the Labor Distribution Unit for system approval within the LD module. The Labor Distribution Unit retains the documentation received from Project Accounting.*
 - *If the transfer impacts an already completed Payroll Distribution Confirmation report, Project Accounting may require additional information, including re-certifying the PDC.*

Project Accounting will notify both the requestor and the Labor Distribution Unit if a cost transfer to the proposed Federal award is not approved and to agree the non-Federal award to which the costs should be transferred.

Other Information

The cost transfer policy does not apply to transfers from a suspense account to a federal award if the transfer is processed within a month of the GL date (e.g. if payroll was run on June 7 and a salary charge hit suspense the GL date for that salary would be June 30. If the transfer from suspense is processed on or before July 31 the transfer is not subject to the cost transfer policy. If the request is transferred after July 31 the Cost Transfer Policy applies.



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Transfers between PTAs funded under the same federal award are considered “intra-award reallocations.” These transactions are not considered “cost transfers” as that term is used throughout this policy. Intra-award reallocations require the use of the Cost Transfer and Justification Form or the Intra Award Transfer Form. For clarification, if the Cost Transfer and Justification Form is used, the PI or Division Chairs signature is not required even if the intra award transfer is over 90 days.



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APPENDIX A:

Extenuating Circumstances

There are a limited number of extenuating circumstances for which cost transfers over 90 days will be allowed. Examples of acceptable extenuating circumstances are:

- ❑ Late issuance of appropriate documentation for reasons beyond the control the requestor, such as late issuance of an award by a funding agency. Justification and support will be reviewed on a case-by-case basis.
- ❑ Failure of another department to take action when supporting documentation had been properly submitted. Original or copy of supporting documentation will be required.
- ❑ Transfer of expenditure from an unrestricted account to a federal award that was not in place when the expense was initially incurred.

Note: The Office of Sponsored Research recommends a Pre-Award account be established, which is done at the request of the Principal Investigator.

The requirements are:

- ❑ Documentation that an award will be forthcoming
- ❑ Identification of an unrestricted “back-up” account that can be used to cover costs in the event that the anticipated award does not materialize.
- ❑ Submission of a budget/pre-award requested amount.

This Pre-Award account becomes the Active Account upon receipt of the award documentation and funding and no cost transfers are subsequently required.

Extenuating Circumstances Do Not Include:

- ❑ Absences of the Principal Investigator or Cognizant administrator and/or shortage or lack of experience of the staff administering the awards.

Note: It is the responsibility of the Institute and Principal Investigator to ensure that availability of qualified staff to administer and exercise stewardship over federally funded projects in accordance with federal policies and procedures. This includes regular/timely (typically monthly) monitoring of account activity such as identification of potential cost overruns, timely correction of errors, and reallocation of expenses.

- ❑ The use of federally funded sponsored accounts being used as holding accounts for expenditures that will subsequently be transferred elsewhere.