OFFICE OF THE CONTROLLER

Grants and Funds Management

Cost Transfer Policy and Form

April 2024

UNIVERSITY OF
South Carolina

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Cost Transfer Policy

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Cost Transfer Policy

What is a Cost Transfer?

An expense that is transferred from one account to another account after the expense was initially recorded in the financial accounting system.

OR

An after the fact reallocation of costs to a federally funded award.

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Cost Transfer Policy

2 CFR 200.406 specifically states that the charge needs to be removed and credit applied as needed.

- The term **applicable credits** refers to those receipt or negative expenditure types of transactions that operate to offset or reduce direct or **F&A cost** items. Typical examples are purchase discounts, rebates or allowances, recoveries or indemnities on losses, and **adjustments for overpayments or erroneous charges**. Additional information concerning applicable credits is included in the **cost principles**.
- Applicable credits to direct charges to grants must be treated as an adjustment on our reports and invoicing, whether those credits accrue during or after the period of grant support.

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Cost Transfer Policy

NIH Grants Policy Statement

- Cost transfers to NIH grants by recipients, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The 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 recipient, consortium participant, or contractor. 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 another or from one competitive segment to the next solely to cover cost overruns are not allowable.

- **NIH Grants Policy Statement**

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Cost Transfer Policy

- To comply with the policy of NIH, one of our largest sources of federal research funding, and the requirements of other federal and non-federal sponsors, USC's cost transfer policy follows 90 days and applies to ALL sources of funding. If a particular sponsor policy on cost transfers is more restrictive than 90 days, the more restrictive policy will apply.

- Ninety (90) days has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to their proper project and function. It is a standard established in federal circulars and grant policy.

*Recipients must maintain documentation of cost transfers, pursuant to 2 CFR Part 200.337 and 45 CFR Part 75.364, and must make it available for audit or other review.

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Cost Transfer Policy

What does 2 CFR 200.406 mean for USC?

- When an expense is entered into to PeopleSoft Finance, the person entering the expense is certifying that the expenses are allowable and allocable to the project.

- By approving expenses in workflow, the PI is certifying that they are allowable and allocable to the project.

- The University is certifying that all expenses are allowable and allocable when invoices and reports are provided to the sponsor.

- A cost that is originally placed on an account is certified for allowability and allocability tests and has a direct benefit to a project.

Cost Transfer Policy

Policy Title: Grants and Funds Management – Cost Transfer Policy (FINA 3.35)

Purpose: The purpose of this policy is to set forth the University of South Carolina's requirements for cost transfers to, from, or between sponsored projects.

Definition: A cost transfer is a reallocation or redistribution of a previously charged expense that is being transferred to or from a sponsored project. <u>This includes both direct charges and cost share.</u>

Transfers between projects with the same budget year and funded under the same Federal award are considered "**intra-award reallocations**" and **are not** subject to this policy.

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Cost Transfers

Cost transfers **<u>should not</u>** be used as a means for managing project funds; they must meet the rules for allowability, allocability, reasonableness, and consistency. Cost transfers, when necessary, must be timely.

- At no time should a sponsored project be used as a holding account for expenses that will subsequently be transferred elsewhere.
- Transfers of costs to any sponsored project are allowable only if there is a direct benefit to the project being charged.
- An overdraft or any direct cost item incurred during the management of a sponsored project may not be transferred to another sponsored project for the sake of resolving a deficit or an allowability issues.
- Cost transfers may not be used to spend down awards.

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When is a Cost Transfer Allowable?

Grants and Funds Management (GFM) determines whether a cost transfer is allowable. The following three prerequisites are considered:

- The cost transfer must provide a direct benefit to the sponsored award being charged.
- The cost transfer must comply with both the University's policies and sponsor's terms and conditions.
- The cost transfer must be fully documented.

Other factors, such as timing, may affect allowability.

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Allowable Cost Transfer Examples

The following is a list of examples that illustrate circumstances in which a cost transfer may be allowable:

- The cost transfer will occur within 90 days of original expense.
- To correct errors due to the untimely receipt of information by the University (e.g. late notice of award).
- To reallocate effort based on actual effort expended.
- To move pre-award costs to the appropriate project in accordance with Uniform Guidance.
- To correctly allocate costs benefiting more than one project.
- To remove unallowable charges.
- To remove out-of-period charges.

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Not Allowable Cost Transfer Examples

Certain cost transfers **are not** allowable under any circumstances. Such as:

- To correct deficiencies caused by overruns or other funding considerations.
- To avoid restrictions imposed by the law or by terms of the sponsored award.
- To "park" expenses which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or new project has not been received.
- To transfer costs to a sponsored project merely because there are unexpended funds available which would otherwise be returnable to the sponsor.

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Timing of Cost Transfer

A cost transfer should be processed **within 90 days** following the end of the month in which the original charge was initially recorded. The following factors could affect and shorten the 90-day window:

- Financial report due/submission date
- Carryforward request due/submission date
- Final invoice due/submission date

Note: Cost transfers which remove expenditures from sponsored projects are not subject to the 90-day time limit and must be prepared at any time that it is determined that an expenditure charged to a sponsored project is not appropriate or allowable to that project.

Why are Cost Transfers Problematic?

The expense was originally reviewed and certified for allowability and allocability tests, and that it was a direct benefit to a project at the time of posting by the department and PI. So, it is an indicator that proper review and due diligence was not followed.

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Why are Cost Transfers Problematic?

Cost Transfers that put the University at risk for audit findings:

- Transfers that violate institutional policy
- Transfers between two Federal projects
- Transfer to Federal projects occurring more than 90 days after the original transaction
- Transfers to Federal projects at the end of the project period
- Inadequate explanation/justification for cost transfer (e.g. "to correct error")
- Transfers between two Federal projects that clears a deficit off one of the projects
- Salary transfers that invalidate certification or other controls
- Excessive cost transfers

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Why are Cost Transfers Problematic?

Scenario:

A contract was issued 3 months after the start date (start date is October 2023) and the account did not get set up until February 2024.

Work started in October 2023 and the payroll costs were charged to our PI's department account.

In April 2024, when T&E was being reviewed, you realize that the salary did not get moved to the project.

You submit the cost transfer citing that the project was not set up timely and you are requesting an exception to move salaries back to 10/1/2023 to the project.

Response:

Although there was a delay in set up with the project, the department should have completed the cost transfers immediately following the set up. Since the department waived 2 months after the project was set up, this does not constitute an exception based on a late issuance of a contract.

The department should have submitted the cost transfers in February when the award was set up. Furthermore, a Risk/Advance Account should have been requested when the PI started working on the project.

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Preventing Cost Transfers

To prevent untimely cost transfers:

- review terms and conditions of the award to learn how it should be managed
- establish a financial plan
- maintain accurate projections
- meet with the PI monthly or at least every other month
- reconcile project expenses monthly
- complete payroll funding change forms in a timely manner to prevent retros
- establish an **Advance (Risk) Account** to be set up if the Notice of Award is delayed

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Preventing Cost Transfers

Monitor grant expenses

- Ensure only appropriate expenses are charged to the grant
  - ✓ Ensure you stay within budget and overages are moved timely

Monitoring Tools:

- PeopleSoft Queries
  - ✓ General Ledger = System of Record
- USC Finance Intranet HUB
  - ✓ Payroll – HCM Distribution
  - ✓ All Expenses - Grant Dashboard & GL Dashboard
  - ✓ Cost Share – Grant Dashboard

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Preventing Cost Transfers

USC Finance Intranet HUB:

- Provides the ability to access real time expense data using the following search criteria: PI, Contract, and Project.

- Expenses are grouped in the categories as shown on the USC Invoice submitted to sponsors.

- Ability to drill down into payroll and expense transactions for Direct Expenses and **Cost Share**.

- Tracks cost share to help ensure you are spending within ratio.

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Preventing Cost Transfers

1ˢᵗ day of the month
- Run payroll queries to determine if employee salaries need to be for the **next months 15ᵗʰ payroll**. Complete Account Change Form(s).
- Review HCM Distribution to see actual payroll transactions for the payroll that just posted. Complete retro JE form(s) as needed.
- Review transactions that have posted to the Grant Dashboard for the previous month. Complete any JVs, JEs, APEXs, as necessary.
- Ensure Account Change Form(s) submitted have been fully approved for the **30ᵗʰ payroll**.

5ᵗʰ day of the month
- Remind PIs to review the Grant Dashboard and HCM Distribution for the previous month for accuracy.

16ᵗʰ day of the month
- Run payroll queries to determine if employee salaries need to be for the **next months 30ᵗʰ payroll**. Complete Account Change Form(s)
- Review HCM Distribution to see actual payroll transactions for the payroll that just posted. Complete retro JE form(s) as needed.
- Ensure Account Change Form(s) submitted have been fully approved for the **15ᵗʰ payroll for the next month**.

20ᵗʰ day of the month
- Ensure PI's have remitted subaward invoices received.

25ᵗʰ day of the month
- Complete requests for Risk accounts or re-budgets, as necessary.
- Review outstanding encumbrances and request closure, as necessary.

Visit the Controller's Office website for a downloadable version.

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Cost Transfer Form

Cost Transfer Justification Form

Cost Transfer Justification Form

PURPOSE

This justification form will help ensure compliance with Uniform Guidance along with University policy regarding cost transfers. In the event of an audit, the information provided below will be used to substantiate the adjustment. This form is required for any cost transfers that adjust expenditures involving sponsored project accounts (the USCSP Business Unit). Principal Investigator (PI) certification and approval is required for all cost transfer requests. Once completed, this form needs to be attached with required supporting documentation to the proper request (Payroll Retro, Expense Module Correction Form, JV eform, etc.). If this form is not included, the request will not be completed.

COST TRANSFER TYPE

☐ Payroll Retro Funding Change Request   ☐ Expense Module (payment with pcard)
☐ JV (payment through check/voucher)   ☐ Other

Original (incorrect) chartfield *:

Correct chartfield *:

For payroll retro forms, "see retro form" may be listed if multiple projects/funds are involved in the request

JUSTIFICATION

1. Please specify the transaction(s) being moved and how it directly benefits the sponsored project it is being moved to, if this is being moved to a USCSP account.

2. How was this error or situation discovered? Please include the reason this was originally charged to the incorrect sponsored project or account.

3. How will this type of error or situation be prevented from happening in the future?

CERTIFICATION

As PI, I approve this expense to be adjusted according to the fund(s)/project(s) listed above. I certify this expense is in accordance with the award budget as well as allocable and necessary for accomplishing the scope of work.

PI Signature: Date: **PI Signature: Date:

Printed Name: **Printed Name:

** If adjustment impacts more than one PI

- A cost transfer should be processed **within 90 days** following the end of the month in which the original charge was initially recorded.

- **Required** if moving expenses on or off a sponsored award.

- Be sure to answer all three questions.

- PI **must sign** the form.

- Form can be found on the Controller's Office website.

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Cost Transfer Justifications

Generic statements are not generally acceptable on the cost transfers. For all charges on a project, you should be able to explain the allowability of those costs. As general guidance, acceptable justifications should be able to address the following:

- An explanation as to why the expense was originally charged to an account from which it is now being transferred.
- An explanation as to why the charge needs to be transferred to the proposed receiving project.
- An explanation as to why the charge is allowable and allocable based on the terms and the conditions of the receiving award.
- What corrective action has been taken to eliminate the need for cost transfers of this type in the future at the departmental level.
- Exception to the 90 days rule are rarely approved.
    - ✓ The Controller reviews any cost transfer request that are over 90 days.
- All cost transfers **must** be accompanied by the appropriate backup.

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Cost Transfer Justification Form

Questionable explanation: Transfer of supplies that were charged to the department in error.

Issue: This explanation does not adequately explain why the wrong account was originally charged, why the charge to the new account is appropriate/applicable, or how the situation occurred.

Acceptable explanation: The supplies being transferred were purchased using a procurement card (P-Card). The administrative assistant did not review the P-Card transactions by the deadline, causing the transactions to be expensed to the department account. Going forward, the administrative assistant will review all P-Card purchases and assign the correct account number, if applicable, to be charged prior to the deadline.

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Cost Transfer Justification Form

Questionable explanation: Transfer of overage to related project.

Issue: This explanation does not adequately justify how the expense was benefiting the account being charged nor why expenses were not allocated between the projects originally.

Acceptable explanation: The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects; thus 50% of the cost of these items is being transferred.

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Cost Transfer Justification Form

Questionable explanation: To correct account incorrectly charged due to clerical error.

Issue: Insufficient explanation of why and how the clerical error occurred and why the error was not corrected earlier. In general, this explanation is only adequate if a transposition error occurred, and such circumstances should be included in the description.

Acceptable explanation: The research assistant in the lab who ordered the supplies used an account number of a project that was terminated. He has been instructed to use the new account number. In the future, all supply orders will be reviewed and approved by an appropriate department administrator prior to submission of the order so that such errors can be prevented.

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Cost Transfer Justification Form

Questionable explanation: Payroll appointment form was not processed in time.

Issue: The explanation does not adequately address why the payroll appointment was not processed in time. The description should be expanded to better explain the circumstances of the delay in processing the appointment and the specific plan to avoid such occurrences in the future.

Acceptable explanation: The administrator was informed of a faculty member's effort distribution change after the deadline for payroll appointments for the January payroll. The faculty member has been requested to communicate changes in effort in a timelier manner in the future in order to avoid such circumstances.

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Cost Transfer Form

To find and download the form visit our Forms page in the Resource and Training Toolbox section.

Types of Cost Transfers

Types of Cost Transfers

Cost transfers can be completed in 4 different ways, depending on how the original transaction was completed. Each cost transfer requires a Cost Transfer Justification form.

- Journal Voucher
- APEX
- Retro Payroll
- Journal Entry

Understanding and Requesting Retro Funding Changes – April 25 from 2-3pm

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Types of Cost Transfers

Allowable Scenario:

You have a lease payment that is posted to a project. During your monthly review you realize that the lease payment should have posted to the next year of funding.

Allowable Scenario:

During the monthly review, your expected supply expenses are higher than what was expected. After reviewing the expense on the project, you see that a P-Card transaction was posted in error to the project. You immediately take action to complete the Cost Transfer Justification to move the expense to the correct project.

Allowable Scenario:

A project has a start date of January 1, 2024, but was not set up in PeopleSoft until February 16, 2024. A student has been working on the project, but her salary was charged to a departmental account. As soon as the project and the combo codes were active, an account change was processed to move the student to the project, and a retro account payroll journal was entered to move the student's pay, properly allocating her time and effort to the project.

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Types of Cost Transfers

Allowable but Increased Audit Risk Scenario:

You have a consultant, and they were charged to one project however during your monthly review with the PI, they realized they were not allocated proportionately to the correct projects. The PI provides you with a detailed breakdown of the allocation which you use as an explanation on the Cost Transfer Justification.

Allowable but Increased Audit Risk Scenario:

An employee who is paid on a grant is receiving additional pay for work on a departmental project. When the additional pay ePAF was entered, the "use current base pay funding" button was toggled on, so the pay is being charged incorrectly to the project. A retro payroll account journal is requested to move this additional pay off the project.

Note: In general, all Cost Transfers put us at risk for an audit.

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Types of Cost Transfers

Not Allowable Scenario:

Large supply purchase on a purchase order that was charged to one project. The PI realizes he has another project that is ending soon, and he wants to spend down the balance. He asks you to process a JV to move a portion of the supply charge to that project that is ending.

Not Allowable Scenario:

A payment request was processed and approved by the PI to post a membership charge to a project. The PI wants to move the charge to another project in which the membership expense is not allocable to free up budget for some additional expenses she is expecting on the original project.

Not Allowable Scenario:

It is March 2024 and Time and Effort reports have been released. Upon reviewing the T&E reports, a PI tells you that a student's salary was on the incorrect NIH project for the Fall 2023 semester. The PI asked you to correct the salaries for the period however the July through December salaries are outside the 90-day window. The salaries need to moved off the award however instead of moving the salary to another NIH project, it will need to be moved to a departmental account.

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Risk of Noncompliance

If we are not in compliance, Sponsors may:

- Disallow expenses and/or require repayment
- Require additional oversight of systems and controls
- Reduce or eliminate future funding
- Pursue other remedies legally available, including federal fines and penalties

Risk of Noncompliance

Does it pass the newspaper test?

"Contemplating any business act, an employee should ask himself whether he would be willing to see it immediately described by an informed and critical reporter on the front page of his local paper, there to be read by his spouse, children, and friends."

--- Warren E. Buffet

This test isn't just about transparency. It's also about consequences!

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

--- Warren E. Buffet

Resources & Contacts

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Where to Find the Resources

For cost transfer resources, visit the Sponsored Award Management page in the Grants and Funds Management section.

Where to Find the Resources

For cost transfer training resources, visit our Grant Administration page in the Resource and Training Toolbox section.

Controller's Office Contact List

General Accounting (JEs, JVs, Apex, GL issues/Questions)	Email Address
General Email Address	genacctg@mailbox.sc.edu
Cash Advance Settlement	cashadvc@mailbox.sc.edu
Payroll Retro Journal Entries	retroje@mailbox.sc.edu
Chartfield Maintenance	cfmaint@mailbox.sc.edu
Moving & Relocation Mailbox	moving@mailbox.sc.edu
PeopleSoft Finance Security Requests	pssecure@mailbox.sc.edu
Accounts Payable	**Email Address**
General Email Address	ap@mailbox.sc.edu
AP Uploads	apupload@mailbox.sc.edu
Supplier Maintenance	apsupplr@mailbox.sc.edu
Travel Office	**Email Address**
General Email Address	teoffice@mailbox.sc.edu
Student/Non-employee Travel Authorizations and Travel Reimbursement Vouchers	tesubmit@mailbox.sc.edu

Controller's Office Contact List

Capital Assets	Email Address
Physical Inventory	physinv@mailbox.sc.edu

Cash Management and Treasury	Email Address
General Treasury Email Address	treasury@mailbox.sc.edu
Program Expense Card	cards@mailbox.sc.edu
Team Card	teamcard@mailbox.sc.edu
Travel Card	trvcard@mailbox.sc.edu

Compliance and Tax	Email Address
General Compliance Email Address	concpl@mailbox.sc.edu
General Tax Email Address	tax@mailbox.sc.edu
Research/Development Sales/Use Tax Exemptions	rdequip@mailbox.sc.edu
Time and Effort Reporting	timeandeffort@sc.edu

Controller's Office Contact List

Grants and Funds Management	Email Address
Sponsored Award Specific Questions	Contact your **Post Award Accountant** (PAA)

Payroll	Email Address
General Email Account	payroll@mailbox.sc.edu

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Questions