



SAINT LOUIS  
UNIVERSITY

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## Cost Transfer Policy

Policy Number: RA-002

Classification: Research Administration

Responsible University Office: Vice President for Research

Version Number: 2.0

Effective Date: April 1, 2010

### 1.0 INTRODUCTION

Federal regulations and cost accounting standards require that transfers to and from accounts be supported by proper documentation (See Policy: Documentation Standards) and done in a timely manner. Timely is defined as no later than two (2) accounting periods after the month in which a transaction is originally recorded in Banner.

For federal awards, Universities are required to record transactions properly the first time based on the nature of the transaction, purpose, and proper classification. Further, PIs are required to review transactions at an account level on a monthly basis. Based on these reviews, they are expected to discover and correct mistakes on a timely basis.

Per OMB Circular A-21 for costs to be charged to a grant they must be allowable:

- Allowable per A-21 Section J
- Allocable
- Reasonable
- Conform to limitations
- Consistently treated

Transfers over 60 days past the original transaction fail the reasonable test.

Excessive transfers are deemed to indicate weaknesses in internal controls, and create uncertainty as to the reliability of the entity's financial reports. Federal sponsors reserve the right when such weaknesses exist to require additional audits and/or to restrict or eliminate funding.

OMB Circular A-110 requires Universities to have policies, procedures, and internal controls to properly administer federal awards. OMB Circular A-21 requires that costs are treated consistently. Because of this, the University is required to establish the same policy for grant and non-grant funds. In addition, Federal regulators and accounting standards require the University to exert due diligence once weaknesses in internal controls are discovered in order to establish and implement policies and procedures to ensure the specific breakdown in controls that contributed to the need for the transfer does not happen again.

## 2.0 PURPOSE

The policy is designed to:

1. Ensure unallowable costs are not transferred onto sponsored awards.
2. Provide a mechanism for late cost transfers to be captured, reviewed and approved based on the reasonableness for non-sponsored awards.
3. Provide a mechanism for late cost transfers to be captured, reviewed and approved based on allowability for sponsored awards.
4. Provide a system for collecting data regarding late transfers.
5. Provide the authority for Deans and Chairs to address weaknesses in internal controls in their schools and departments.

**The purpose of the Dean and Chair review and approval of these transfers is to give each an opportunity to recognize internal control breakdowns that are occurring in their operations and to provide a mechanism to collect data. When necessary, this data can signal the need for corrective action. A common issue will involve lack of training, which can be rectified by providing the employee with that training. Another common issue will involve employees that are trained, but have a workload that exceeds their capacity. In the latter case, resources may have to shift to more properly align resources with workload. Such corrective actions will ensure that these internal control breakdowns are corrected and not repeated in the future.**

## 3.0 APPLICABILITY

This policy applies to all cost transfers recorded in Banner as well as income transactions, both salary/wage and non-salary/wage expense transactions. The non-salary/wage expenditures apply to all sources including internal service charges, recharge centers, and specialized service facilities as defined in OMB circular A-21.

**This policy does not supersede Period of Availability rules. If a sponsored award's Period of Availability expires prior to the 60 day period delineated in this policy, any cost transfers will be limited to the 60 day period or end of the period of availability, whichever is sooner. In no case will cost transfers be recorded to a sponsored award for activity subsequent to the grant end date.**

## 4.0 DEFINITIONS

- 4.1 **Cost Transfers are a reallocation of costs after a transaction has occurred.**
- 4.2 **Sponsored Awards are Grants, Contracts, etc... as defined in the policy: "Externally Sponsored Programs: Grants, Contracts, and Agreements"**

- 4.3 Current Transactions** are original transactions and/or transactions that occur less than two accounting periods after the original transaction. Current transactions require sufficient documentation. (See Policy: Documentation Standards)
- 4.4 Late Transactions** are original transactions that occurred over two accounting periods in the past. Late transactions require substantial documentation. (See Policy: Documentation Standards)
- 4.5 Timely** is defined as occurring no later than two (2) accounting periods after the month end of the date of the original transaction (no later than 90 days total).
- 4.6 Sufficient Documentation: For current transactions (Original transaction and/or less than 60 days since original transaction)**

For sponsored awards, the documentation must support the transaction, the PI must certify the cost is allowable and directly benefits the grant it is transferred to, and describe why the original transaction was not recorded correctly.

For non-grants the documentation must support the transaction and describe why the original transaction was not recorded correctly.

- 4.7 Substantial Documentation: For original transactions that occurred over 60 days since original transaction.**

For sponsored awards, the documentation must support the transaction, the PI must certify the cost is allowable and directly benefits the grant it is transferred to. In addition, the PI must answer the questions: who, what, when, where, why, and how regarding the reason the expense was charged incorrectly and/or processing the transfer was delayed. Further, the PI should describe what steps have taken place (controls) to ensure that the error will not happen again. For non-grants, the documentation must support the transaction, describe why the transaction was not recorded correctly, and what internal controls have been implemented to ensure the problem does not reoccur.

## 5.0 POLICY

### 5.1 Cost Transfers

Cost transfers are reallocations of costs after the transaction has occurred. They may take the form of Labor Reallocations (“LRs”), Transaction Corrections (“TCs”) or possibly internal recharges from service centers.

Cost transfers are appropriately done to allocate costs among multi-business unit transactions and to correct errors. Cost transfers are allowed in certain situations, including:

- To correct an error
- To remove disallowed costs

- Clearing an overdraft at the end of a project
- Transfers

Cost transfers may not be done to:

- Spend out unused award budget
- Cover cost overruns
- Avoid restrictions imposed by law or the agreement
- Improperly shifting expenses
- For other conveniences

For sponsored awards, costs that are transferred must pass all allowability tests for costs to be transferred onto an award per OMB Circular A-21.

Cost transfers cannot be approved by the same person who prepared it.

Pre-award costs should not be recorded to an unrelated grant with the intention of transferring the costs at a later date. (See policy-Pending Awards)

## 5.2 Cost Transfers for Current Transactions

Cost transfers for current transactions must occur on a timely basis. Every effort should be made to record corrections in the fiscal year in which the original entry occurred. For sponsored awards, sufficient documentation as described in 4.6 above must be included.

## 5.3 Late Cost Transfers

Transfers over 60 days past the original transaction or payroll run must be approved by the appropriate Dean and Chair. For sponsored awards, transfers must be attached to a [Late Transfer Form](#). The cost transfer must first be authorized as a charge to the award by the PI or their delegate, along with substantial documentation as defined in 4.7 above, to justify the reasonableness of the transfer. Transfers then are routed to the appropriate Chair and Dean for approval. The request must then be approved by the Office of Sponsored Programs (OSP) for allowability on the grant or contract. Costs deemed unallowable must be moved to the appropriate departmental operating fund.

Deans and Chairs are expected to transfer data from the cost transfer requests to a [Late Transfer Log](#). OSP will provide personnel to train and resolve uncertainties with the use of the log until the assigned personnel are proficient in the data collection and follow-up as designed in this policy. OSP will review the logs during their training session to ensure they are being used as designed and corrective action has been assigned to a specific person and is taking place. After sufficient training, the Deans and Chairs will analyze the results to determine if their school or department has training needs, staffing issues, or other issues. Each organizational level should document their follow-up and actions to eliminate the internal control breakdowns they discover. Systemic issues should be identified and forwarded to the Controller's Office and OSP so that appropriate internal controls can be established and implemented.

The Deans and Department Chairs office will each log the transfer into a [Late Transfer Request Log](#) to collect source data to analyze where breakdowns occur. The department Chairs should review requests for reasonableness and sign and date. If they accept the justification, they should forward requests to the Dean's Office, where requests again can be reviewed for reasonableness. If accepted, the request is forwarded to accounting or payroll, depending on the type of transfer for processing

#### **5.4 Effort Reports**

When a cost transfer (either LR or TC) has been submitted that is related to effort that has been previously certified, the document must have a re-certified effort report attached that is consistent with the proposed change. Failure to submit a re-certified effort report will result in the transaction being rejected due to the inconsistency with certified effort.

If the proposed transaction is over 60 days old since the original transaction was, or should have been recorded, a late transfer form is also required.

## **6.0 RESPONSIBILITIES**

### **6.1 Current Transactions**

#### 6.1.1. Transfers related to current transactions of non-sponsored awards

##### Departments

- Review financials on a monthly basis
- Obtain sufficient documentation to support transfers
- Obtain Supervisor approval in Department
- Obtain Chair and Dean Authorizations (when required).

##### Chair's Office

- Review transactions for reasonableness (when required).
- Obtain Dean's approval (when required).

##### Dean's Office

- Review transactions for reasonableness (when required).
- Forward to accounting or payroll for processing

#### 6.1.2. Transfers related to current transactions of sponsored awards generated from the Department

##### Principal Investigator

- Review financial activity for award monthly
- Certify allowability of costs being transferred onto grant
- Describe how costs benefit the award

##### Department

- Obtain certification of allowability from the PI

- Obtain sufficient documentation to support transfer
- Review transaction for budget
- Obtain Supervisor approval in Department
- Obtain Chair and Dean Authorizations (when required).

Chair's Office

- Review transactions for reasonableness (when required).
- Obtain Deans approval (when required).

Dean's Office

- Review transactions for reasonableness (when required).
- Forward to OSP

Office of Sponsored Programs

- Provide staff to train and assist departments in proper data collection procedures
- Review transactions for period of availability
- Ensure conformity to sponsored award
- Forward to Accounting or Payroll for processing

6.1.3. Transfers related to current transactions of sponsored awards generated from Sponsored Programs

Office of Sponsored Programs

- Review transactions for period of availability
- Ensure conformity to sponsored award
- Obtain PI's authorization for allowability on costs transferred onto an award.
- Record transfers and forward to PI and department for notification on unallowable costs being transferred from a sponsored award.

Principal Investigator

- Review financial activity for award monthly
- Certify allowability of costs being transferred onto grant
- Describe how costs benefit the award

Department

- Obtain certification of allowability from the PI
- Obtain sufficient documentation to support transfer
- Review transactions for budget

## 6.2 Late Transactions

### A. Late Transactions related to non-sponsored awards

Departments

- Review financials on a monthly basis
- Obtain substantial documentation to support transfer
- Obtain Supervisor approval in Department

Obtain Chair and Dean Authorizations.

Chair's Office

Log transfers in Late Transaction Log  
Review transactions for reasonableness  
Analyze data and determine where problems are and correct them  
Forward to Dean's Office

Dean's Office

Log transfers in Late Transaction Log  
Review transactions for reasonableness  
Analyze data and determine where problems are and correct them  
Return to department for appropriate action.

## 7.0 PROCEDURES

### 7.1 Transfers related to current transactions of non-sponsored awards

For transfers related to current transactions of non-sponsored awards, departments must review their financials on a monthly basis to minimize errors and enable the reviewers to react to problems in a timely manner. When an error requiring a transfer is discovered, the department must obtain sufficient documentation to support a transfer and enter the detail on a Transaction Correction Form or Labor Reallocation Form depending on the type of transfer. Once the transfer has been written up, the person submitting the transfer should obtain a supervisor approval for the transaction. If required, the department should forward the transfer request to the Department Chair's office for approval if required, the transaction should be forwarded to the Dean's office for approval. If any of these approvals are not required by the Dean's office or the Chair's Office, the transaction can be forwarded to the accounting office or payroll office for processing. The Department should review their accounts monthly and make sure cost transfers they have forwarded have been processed and recorded properly.

### 7.2 Transfers related to current transactions of sponsored awards generated from the Department

For transfers related to current transactions of sponsored awards generated from the Department, the costs to be transferred must first be authorized as an allowable expense to the specific sponsored award by the PI or their delegate. The Department and/or PI must obtain sufficient documentation to support the transfer of costs. This can be documented by the PI's initial or signature and date on the supporting documentation and Transaction Correction Form or Labor Reallocation Form, depending on the type of transfer. The PI should indicate how the costs to be transferred benefit the award. After allowability has been documented, the transfer should follow the unrestricted process; a supervisor should review the transaction for accuracy and reasonableness, sign, date, and

forward on to OSP. OSP will review the transaction and forward on to general accounting for Transaction Corrections, and payroll for Payroll Reallocations for processing.

### **7.3 Transfers related to current transactions of sponsored awards generated from the Office of Sponsored Programs.**

OSP will discover unallowable costs on sponsored awards as they process interim reports, final reports and closeouts. When unallowable costs are detected, OSP will enter the detail of the transactions on a Transaction Correction Form or Labor Reallocation Form, depending on the type of transfer. They will attach sufficient documentation to support the transaction and process the entry if it is a transaction correction or forward the information to payroll for processing if it is a labor reallocation. OSP will send a copy of the transaction to the PI, the department business office, and the commitment office (if required) in order to provide source documentation to support the transaction when they do their monthly review of accounts.

### **7.4 Late Transactions related to sponsored awards**

PI's must review their accounts on a monthly basis in order to minimize or eliminate transfers for late transactions. If an error is discovered and a late transfer is required, the PI must provide substantial documentation that supports the transfer, using a [Sponsored Awards Late Transfer Documentation Form](#). PIs should attach this documentation to either a Transaction Correction Form or Labor Reallocation Form, depending on the type of transfer. As with all costs, the PI must document allowability of the costs by signing and dating the source documentation prior to populating and attaching the [Sponsored Awards Late Transfer Documentation Form](#). The transfer should be routed to a supervisor in the department for approval. The Supervisor should review the request for accuracy, appropriateness, and reasonableness prior to approving. If approved, the request should be forwarded to the Department Chair's office for approval.

The departmental Chairs must review the request for reasonableness and sign and date. If they accept the justification they should forward the request to the Dean who will in turn review the request for reasonableness. If accepted, the request is forwarded to OSP. OSP reviews the transaction for allowability and reasonableness. If approved, OSP documents its concurrence and processes the transaction if the transaction is a transaction correction or forwards the request to payroll for processing if it is a labor reallocation. OSP logs all transfer requests in and documents both accepted and rejected. Copies of rejected requests are kept on file in the OSP.

## **8.0 SANCTIONS**

Failure to comply with the requirements of this policy or applicable standards may result in University disciplinary action pursuant to the applicable policies governing students and faculty or staff employees. Additionally, violations may result in additional internal or external sanctions such as the loss of privileges to conduct research, restrictions on the use of University facilities and equipment, loss of grant funding, and civil or criminal penalties imposed under

federal or state laws. In addition, Federal sources may disallow costs and require repayment of grant funds drawn down.

## 9.0 REFERENCES

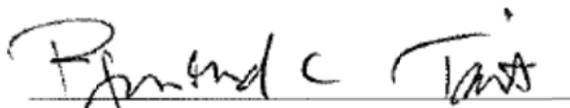
Federal policies related to Cost Transfers for federal grants and cooperative agreements may be found in OMB Circular A-21, OMB Circular A-110, OMB Circular A-133 Compliance Supplement, National Institutes of Health Policy Statements, and National Science Foundation Grant Administration Chapter 2.

## APPROVAL SIGNATURES

This policy was developed by:

The Office of the Vice President for Research

This policy was approved by:

  
Raymond C. Tait, Ph.D.  
Vice President for Research  
Saint Louis University

April 1, 2010  
Date

REVISION HISTORY		
EFFECTIVE DATE	REVISION NUMBER	MODIFICATION
January 1, 2010	1.0	New Document
April 1, 2010	2.0	Policy revision