

<b>Section:</b>	II.3.63	
<b>Title:</b>	Cost Transfer Operating Policy	
<b>Effective Date:</b>	August 1, 2021	
<b>Approved By:</b>	Provost and Treasurer	
<b>Responsible Unit:</b>	Finance & Business Services – Post-Award Grants, Office of the Treasurer – (609) 771-2186	
<b>Related Documents:</b>	<ul style="list-style-type: none"> <li>• Direct Charging Operating Policy</li> <li>• Allowable Costs Operating Policy</li> <li>• Effort Verification Operating Policy</li> </ul>	
<b>History:</b>		
<u>Version</u>	<u>Date</u>	<u>Notes</u>
2.0	August 1, 2021	Revised
1.0	May 13, 2015	New Policy; initial release

## I. INTRODUCTION

This operating policy outlines how cost transfers must be identified, documented processed and approved.

## II. DEFINITIONS

Cost Transfer: The reassignment of an expense (labor or non-labor) to or from a sponsored project after the expense was initially charged to another sponsored project or non-sponsored project.

Late Cost Transfer: Cost transfer (including payroll reallocations) requested beyond the 90-day period following the month-end close of the original transaction. Additional detail is required to document the appropriateness of the transfer.

## III. POLICY OVERVIEW

It is the policy of The College of New Jersey (TCNJ or the College) to ensure that all cost transfers (either in the form of labor or non-labor expense adjustments) are effected only for appropriate purposes and in a manner consistent with Office of Management & Budget (OMB) Code of Federal Regulations *Part 200—Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”), State of New Jersey regulations, sponsor policies, and award terms and conditions. This Unit Policy ensures that TCNJ’s practices for cost transfers related to sponsored project funding are compliant with federal

regulations.

### **Reason for Policy**

As a recipient of federal and state funding, TCNJ is subject to numerous financial stewardship obligations, including but not limited to, those set forth in the Uniform Guidance. Failure to adhere to the provisions of this Operating Policy may result in the College's sponsors, or other funding agencies, disallowing costs or imposing other sanctions.

A cost transfer is the reassignment of an expense (labor or non-labor) to or from a sponsored project after the expense was initially charged to another sponsored or non-sponsored funding source. It is important to note that, for the purposes of this policy, the reclassification of charges between Account Codes within an individual award is considered an expense reallocation and not a cost transfer. A cost transfer processed via journal entry in the institutional financial system. To be allowable, cost transfers must have sufficient documentation, be processed within 90 days of the month-end close of the original transaction, conform to the grant agreement, have the authorizing signatures of the Principal Investigator and have the appropriate approval from Finance and Business Services – Post-Award Grants. Though, in practice, TCNJ typically processes cost transfers within 30-days of the month-end close.

This Operating Policy defines how sponsored project cost transfers must be identified, processed, approved, and documented at TCNJ. For purposes of this policy, TCNJ defines a sponsored project as any grant, contract, or other funding agreement between TCNJ and the federal or state government or other grantor agency.

Cost transfers must be appropriate, justified, properly documented, authorized, and processed within a reasonable timeframe per guidelines set forth by this policy. Costs transferred to any sponsored project account must be allowable and must proportionately benefit the sponsored project being charged. Cost transfers must be supported by documentation justifying the need for the transfer, including a description of how the charge (in amount and type) supports the project to which the transfer is being made.

Cost transfers should be processed in a timely manner. Late cost transfers (those processed more than 90 days after the month-end close of the original transaction) require additional review and approval. Cost transfers to remove an unallowable charge from a sponsored project Project ID must be completed regardless of the timeframe. Cost transfers for labor costs are generally initiated through the effort verification process (See also *Effort Verification Operating Policy*).

### **Appropriate Initial Charging:**

Due care should be taken to ensure that all costs are accurately charged to sponsored projects in the first instance to avoid the need to transfer costs and to minimize the number of cost transfers overall. Principal Investigators and administrative support staff should accurately direct charge costs to minimize the need for cost transfers (See also *Direct Charging Operating Policy*).

Although it is preferable to charge costs to the correct account as incurred, cost transfers are, on occasion, necessary to correct bookkeeping or clerical errors in the original charges, to allocate closely related work that may support more than one project and to maintain accurate allowable costs on a Project ID.

### **Account Review and Timely Identification of Errors:**

Principal Investigators and project administrative support staff should review and reconcile sponsored award expenses at least quarterly to identify any errors in a timely manner. If errors or the need for corrections are identified during this review, PIs/project administrative support staff should prepare and submit a Journal Entry Request Form to Finance and Business Services – Post-Award Grants to request the cost transfer. This regular review will help to minimize the time that elapses between identifying errors and transferring the costs.

### **Approval of Cost Transfers:**

Within 90 days of the month-end close of the original transaction, Principal Investigators must submit a Journal Entry Request Form to Finance and Business Services – Post-Award Grants along with appropriate narrative (e.g., via an accompanying memo or email) that explains how the charge benefits the new project, provides a method for allocating the transfer amount, and provides a justification for the requested cost transfer. A cost transfer explanation should have sufficient detail so that an individual unfamiliar with the project would be able to understand the need for the transfer. An explanation stating merely that the transfer was made "to correct error" or "to transfer to correct project" are not acceptable.

All Journal Entry Request Forms must be reviewed, approved, and signed by the appropriate dean. A dean's approval indicates that the justification is sound and ensures that the dean is aware of all cost transfer activity within his/her school.

Prior to processing cost transfers in the financial system, staff in Finance and Business Services – Post-Award Grants reviews the Journal Entry Request Form to confirm the appropriateness and sufficiency of the justification and to verify that the award to be debited has sufficient available funds and that the charge was incurred during the period of performance. In addition, staff assures that the charge being transferred meets general award/sponsor guidelines/requirements. If approved, the journal entry will be entered and posted in the financial system by

## Finance and Business Services – Post-Award Grants.

### **Late Cost Transfers:**

When cost transfers (including payroll reallocations) are not requested and processed within the 90-day period following the month-end close of the original transaction, additional detail is required to document the appropriateness of the transfer. Late cost transfers inherently carry additional risk and are subject to greater scrutiny and documentation requirements.

PIs must provide justification for the late transfer by completing the Late Cost Transfer Justification Form (i.e., why the expense is being requested more than 90 days following month-end close of the original transaction), as well as provide additional detail on the allowability, allocability, and reasonableness of the charge relative to the project being charged. Post-award approval through Finance and Business Services – Post-Award Grants is required prior to processing late cost transfers.

Finance and Business Services – Post-Award Grants is the final authority in determining if an exception circumstance applies and is sufficient to justify the approval of a late cost transfer. In cases where a denied cost transfer incorporated a credit entry to a sponsored award, the charge must still be transferred to a non-sponsored source of funding.

### **Disallowance of Cost Transfers:**

A consistent or excessive number of cost transfers on a single award or by an individual Principal Investigator may lead to financial compliance risk for TCNJ. A high volume of cost transfers suggests a lack of proper award management and raises questions about the appropriateness and effectiveness of accounting practices and internal controls. For a disallowed cost transfer crediting a sponsored award, the TCNJ PI/department with which the charge is associated is responsible for appropriately funding for the cost from another non-sponsored source (e.g., a departmental enterprise budget). Similarly, the TCNJ PI/department will also be held financially responsible if any cost transfer is later disallowed during an audit.

### **Unacceptable Cost Transfer Practices:**

Cost transfer requests involving sponsored projects may not be made for any of the following purposes:

- Transferring costs from one sponsored project to another to address budget or funding deficiencies.
- Transferring costs from one sponsored project to another to avoid sponsor restrictions.
- Transferring costs that benefit one sponsored project be charged

- temporarily on another sponsored project.
- Transferring expenses with insufficient supporting information or justification (“to correct error” or “to transfer to correct project” are not considered sufficient reasons for transfers)

## Procedure

### I. PROCEDURE OVERVIEW

- Principal Investigator (or other support personnel) prepare the necessary forms to set up direct charging of sponsored project costs based on appropriate, approved, and documented cost allocation method as defined in the Direct Charging Operating Policy.
- Principal Investigator (or other support personnel) identifies need for cost transfer on sponsored project during monthly review.
- Principal Investigator (or project administrative support personnel) completes Journal Entry Request Form within the 90 days of the month-end close of the original transaction identifying the amount to be transferred and applicable Project ID and Account Codes and providing appropriate justification for transfer.
- Finance and Business Services – Post-Award Grants receives request to verify that funding is available/allocated, the expense is appropriate in accordance with the OMB Uniform Guidance, the justification is sufficient, and the appropriate authorization has been obtained, and processes the cost transfer if approved.
- If disapproved, the Finance and Business Services – Post-Award Grants coordinates with the PI/project administrative support staff to identify an alternate non-sponsored source of funds and transfers the cost to the alternative project.

#### Additional Procedures for Late Cost Transfers (Outside of the 90-Day Timeframe):

- The Principal Investigator (or project administrative support personnel) requests approval from the appropriate dean to approve the submission of a formal request for a late cost transfer.
- Upon receiving approval from the appropriate dean, the PI must complete and submit a Late Cost Transfer Justification Form to Finance and Business Services – Post-Award Grants and indicate prior approval of the dean for submission. **Deans must be copied on all written requests for late cost transfers.**

- If disapproved, the Finance and Business Services – Post-Award Grants coordinates with the PI/project administrative support staff to identify an alternate non-sponsored source of funds and transfers the cost to the alternative project.

## **II. ROLES AND RESPONSIBILITIES**

### **Principal Investigator – Responsible for:**

- Reviewing sponsored project accounts on a regular basis and identifying when cost transfers are required.
- Determining if cost transfers are allowable, allocable, reasonable, and applied consistently.
- Completing the Journal Entry Request Form with appropriate documentation that explicitly states how the cost benefited the sponsored project being debited.
- Completing the Late Cost Transfer Justification Form and obtaining the necessary approvals if a cost transfer is being requested outside of the 30-day timeframe.
- Routing the request to the dean and Finance & Business Services– Post-Award Grants for approval and processing.

### **Project Administrative Support Staff – Responsible for:**

- Assisting the PI in reconciling sponsored project accounts on a regular basis and identifying when cost transfers are required.
- Assisting the PI in determining if cost transfers are allowable, allocable, reasonable, and applied consistently.
- Assisting the PI in completing the Journal Entry Request Form with appropriate documentation that explicitly states how the cost benefited the sponsored project being debited.
- Assisting the PI in routing the request to the Dean and the Office of the Treasurer for approval and processing.
- Retaining all supporting documentation of the cost transfer in accordance with applicable records retention regulations and University policies.

**Dean/Department Chair** – Responsible for:

- Reviewing and approving Journal Entry Request Forms and requests for cost transfers outside of the 90-day timeframe to ensure the justification is sound.
- Monitoring cost transfer activity within the school and if a pattern of high-risk activity is identified (i.e., frequent volume of cost transfer, multiple late cost transfers, etc.)

**Finance & Business Services (FBS) – Post-Award Grants, Office of the Treasurer** – Responsible for:

- Reviewing Journal Entry Request Forms, Late Cost Transfer Justification Forms and relevant documentation to ensure that they are completed appropriately.
- Verifying the debit project has available funding and budget for the transfer.
- Ensuring all paperwork has been submitted and verifying all cost transfer approvals are in place.
- Processing the journal entry to process the approved cost transfer in the institutional financial system.
- Reviewing requests for cost transfers outside of the 90-day timeframe for appropriateness and approving only those cost transfers that would be considered compliant in accordance with TCNJ policy and federal regulations.