

Research Compliance	Effective Date: 09/01/2022
OVPR Policies and Procedures	Revised:

OVPR-08: Policy for Cost Transfers Related to Sponsored Programs

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PURPOSE

Baylor University is committed to ensuring that cost transfers are conducted for appropriate purposes and in accordance with federal regulations, sponsor terms and conditions, and institutional policy. A cost transfer is a financial transaction that moves expenses from one funding source to another to correct costing or to make an adjustment. Such a transaction may be necessary if an expense is charged to a project incorrectly, which may arise in circumstances such as late award notice issuance or effort reallocation. In addition, cost transfers may be required when a single charge benefits various projects, warranting split financial allocation across multiple sponsored and non-sponsored accounts; an equipment purchase shared by a department and a sponsored project is an example. Baylor supports and encourages the split at the original point of purchase in these multiple benefit situations. Under Baylor definitions there are two types of cost transfers: Salary Redistributions and Non-Payroll Cost Transfers. Adherence to this policy must be observed in the management of both cost-share types.

This policy is intended to provide guidance for conducting cost transfers in compliance with the Office of Management and Budget (OMB) Uniform Administrative Requirements - Cost Principles and institutional standards. The failure to adhere to this policy may result in sponsor-enforced sanctions.

POLICY STATEMENT

Costs to any sponsored project account must adhere to standard costing principles. This requires expenses be allowable and allocable and must proportionately benefit the charged sponsored project. Careful review of project expenditures help ensure that project costs are accurately charged to sponsored accounts. Unnecessary and excessive cost transfer transactions should be limited. A consistent or excessive number of cost transfers on a single award may lead to financial compliance risk for Baylor University. A high volume of cost transfers may suggest a lack of proper award management and raise questions about internal controls. As such, cost transfers should be carefully considered and limited when applicable.

In certain circumstances, moving charges from one funding source to another may be required. In these cases, cost transfers are allowable with adequate documentation and approval. For a cost transfer to be conducted, sufficient justification for cost transfer actions must be clearly outlined. Additional approvals are required for cost transfers under review that fall outside standard cost transfer protocols.

Cost Transfer Documentation and Justification

Appropriate cost transfer justification must be documented via the cost transfer request form. Documentation elements include: 1) An explanation for why the expense should be debited or credited to the new project; 2) A proposed method for allocating the transfer amount, including the original and new project chart strings (or general ledger COA string); 3) A description of remedial strategies for reducing future cost transfers. Cost Transfer transactions are fully auditable. As such, the explanations provided should have sufficient detail so that an individual removed from the transaction could review the request and ascertain why the transfer was necessary.

Salary redistribution cost transfers must also include the following elements:

- The name, person number, and assignment number of the individual whose salary is being transferred
- The payroll period(s) affected
- The *Labor Distribution Submission* documentation

Before sending the request to the Post-Award financial analyst, the University Research Administrator (URA) must ensure that the charge being transferred meets general award/sponsor requirements and that there is sufficient budget for the transfer. The URA will complete the Cost Transfer or Labor Distribution Form accurately prior to submission, including obtaining all approvals defined on the forms.

Cost Transfer Timeline Milestones

Principal Investigators and URAs should review and reconcile sponsored project expenses monthly to ensure that all expenditures are accurate. If necessary, corrections are identified during this review, URAs should work with the Principal Investigators/research support staff to prepare and submit a request to process the cost transfer. This regular review will help ensure that the time to identify and process the transfer is minimized.

Cost transfers must be processed within 90 days of the end of the month from when they were posted. That is, the form must be received by Post-Award 90 days after the month end of the accounting date of the transaction. When cost transfers are not requested and processed within the 90-day period, the *Authorization for Late Cost Transfers* section of the cost transfer request form must be completed. Cost Transfers requested after the deadlines as defined by this policy must be submitted for additional approvals as defined on the Cost Transfer or Labor Distribution Form and may not be approved.

Unallowable Costs and Disallowed Cost Transfers

The Principal Investigator and the financial manager in the project owning organization are responsible for appropriately funding any cost transfer that is disallowed due to failure to meet the requirements stated in this policy or for unallowable costs using non-sponsored funds. OVPR will utilize the Internal funding source in PPM to remove unallowable costs. The financial manager in the project owning organization will be required to fund the cost transfer in the general ledger.

The following practices are *inappropriate* for cost transfers involving sponsored projects:

- Shifting costs from one sponsored project to another to meet budget or funding deficiencies
- Shifting costs from one sponsored project to another to avoid sponsor restrictions
- Assigning costs to sponsored projects based on remaining balance, such as increasing salary expenses on a project with an available balance when it is not consistent with the actual effort expended/proportional benefit, and
- Large equipment expenditures at the end of a project (without approval).

APPLICABILITY

This policy applies to all Baylor PIs and administrators within schools, departments, and centers who are involved in the administration and conduct of sponsored projects. Individuals responsible for preparing cost transfers, including Post-Award Financial Analysts, URAs, and Payroll Accountants are also responsible for adhering to this policy.

RESPONSIBILITY

The Vice Provost for Research is responsible for overseeing the implementation of this policy. Day-to-day responsibility for such implementation is delegated to OVPR leadership.

REGULATIONS AND RELATED DOCUMENTS

Applicable Law

2 CFR §200 Subpart E – Cost Principles

University Policies and Documents

Direct Charging Policy ##

Cost Transfer Procedure ##

Forms and Tools

Cost Transfer Request Form

DEFINITIONS

Authorized approver is the Associate Vice Provost for Research who is responsible and has the authority to sign cost transfer approval forms and exception forms.

Cost Transfers are the moving of labor or non-labor costs from one accounting distribution (fund, org, and/or organization) to another accounting distribution, in which one or both of the accounting distributions include a project.

Salary Redistributions are changes made to labor costs via the labor distribution process.

Chart of Account is the unique combination of a fund, department, account, and project set up in Ignite used to process transactions of a sponsored project. In Ignite, the general ledger chart of accounts consists of seven segments – entity, department, fund, designation, account, purpose, and activity. The project chart of accounts consists of six segments – project, organization, expenditure type, task, award, and funding source.

GOVERNANCE

This policy will be reviewed and updated, as necessary, on a regular basis by the Office of the Vice Provost for Research. If a federal agency issues rules governing cost principles in sponsored research, those rules will govern where applicable. Any changes in federal requirements will supersede the relevant provisions of this policy.

REVISIONS FROM PREVIOUS VERSION

N/A