

UAB COST TRANSFERS POLICY AND PROCEDURES

INTRODUCTION

Federal requirements concerning the management of awards made to institutions such as University of Alabama at Birmingham (“UAB”) limits the circumstances under which cost transfers are allowed. To comply with the cost allowability, reasonableness, and allocability requirements outlined in the Uniform Guidance (200.400 - Subpart E - Cost Principles), UAB must be able to explain and justify all charges transferred onto federal awards, whether the costs are transferred from some other federal account, a non-federal account, or a University account. To comply with the Uniform Guidance (200.400 - Subpart E - Cost Principles), as well as sponsor-specific requirements, UAB has set forth the following policy and procedures to approve and process cost transfers appropriately.

DEFINITION

A cost transfer is an after-the-fact reallocation of costs, either labor or non-labor, to a sponsored project via a journal entry. Cost transfers move expenses from one account to another after the expense was initially recorded on the financial accounting system (Oracle).

SPECIFIC AGENCY EXAMPLE

The National Institutes of Health (“NIH”), has included within its Grants Policy Statement the following guidelines in relation to cost transfers:

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.

RESPONSIBLE PARTIES

Each Department/Principal Investigator (“PI”) is responsible for ensuring compliance with the following policies. The department, with which the grant receiving the charge is affiliated, is responsible for appropriately funding any cost transfers, which are disallowed due to failure to meet the timing requirements stated above or if any cost transfers are later disallowed on audit. Also, it is expected that the PI or authorized delegate will review the fiscal status of the PI's sponsored project accounts regularly - a monthly review is recommended - and promptly correct expense transactions that are incorrectly recorded.

COST TRANSFER FORM

When the need for a cost transfer to a sponsored project account arises, the Cost Transfer Form **must** be completed by the Department and certified by the PI or an authorized delegate. The request for cost transfer must include specific identification of the original charge; justification of the appropriateness of the charge to the receiving account; and a full explanation of why the transfer is necessary. The explanation for the cost transfer must be clearly stated and must be sufficient for an independent reviewer (i.e., an auditor) to understand the transfer and conclude that it is appropriate. According to federal regulations, an explanation which merely states that the transfer was made 'to correct an error' or 'to transfer to correct project' is not sufficient. The form can be found on the Financial Affairs website:

- <https://www.uab.edu/financialaffairs/forms/cost-transfer-form>

TIMELY COST TRANSFER

In all cases, cost transfers must be made promptly. In this context, "promptly" means that the cost transfer should be made no later than 90 days of the original transaction. If a particular sponsor's cost transfers policy is more restrictive than 90 days, the more restrictive policy will apply. Requests for cost transfers to be processed between 91 and 120 days must be signed specifically by the principal investigator and must also be approved by the applicable department chair. If under some rare circumstances, it should be necessary to make a cost transfer beyond 120 days, then the applicable dean's signature will be required in addition to the signatures of the principal investigator and department chair. Requests for late cost transfers should include an explanation of the extenuating circumstances which prevented the transaction from being made earlier.

No time limit exists for removing expenditures from a sponsored project account. If inappropriate expenditures are discovered on sponsored project accounts, they must be moved to a non-sponsored departmental account without regard to time limits.

COST TRANSFER RESTRICTIONS

UAB recognizes that transfers of costs from one sponsored project account to another are occasionally necessary to correct bookkeeping or clerical errors in the original charges. UAB also recognizes when work supported by one sponsored project is determined to represent work closely related to that of another sponsored project, a cost transfer in from one of the accounts to the other might be legitimately made with prior written approval from the sponsor receiving the charge. At a minimum, the following conditions must be met to justify a cost transfer on the grounds that the activity qualifies as "closely related work":

- The projects are scientifically and technically related.
- The projects are under the direction of the same principal investigator.
- There is no change in the scope of the sponsored projects involved.
- The relating of costs will not be detrimental to the conduct of work under each award.
- The relatedness will not be used to circumvent the terms and conditions of the awards.

However, under no circumstances can costs that directly benefit nonfederal projects be assigned or transferred to federal projects, whether or not interrelated, if the federal project does not also benefit directly from the expenditure.

Cost transfers that are made only for the intention of spending down sponsored project funds or as a matter of convenience are **not allowed**. Transferring costs because of a deficit or other reasons of convenience is **not appropriate**. Any shared costs should be pro-rated among the applicable accounts at the time the costs are incurred to the maximum extent possible. Charging costs to one sponsored project with the intention of repaying that sponsored project when an award is received is also **not appropriate**.

TYPES OF COST TRANSFERS

Cost Transfers may fall within either of two major categories; Transfers of Non-Salary/Fringe Expenditures or Transfers of Salary/Fringe Expenditures. Appropriate procedures depends on the type of cost transfer:

[Transfers of Non-labor Expenditures](#)

Cost transfers involving non-labor expenditures for sponsored project accounts in Oracle. When moving a transaction onto a sponsored project and the original entry had an effective date less than 90 days in the past, the requester should complete Question 1 and 2 on the Cost Transfer Form. When moving a transaction onto a sponsored project and the original entry had an effective date greater than 90 days in the past, the requester should complete all questions on the Cost Transfer Form.

[Transfers of Labor Expenditures](#)

Cost transfers involving labor expenditures for sponsored project accounts in Oracle. The department is responsible for ensuring that labor expenditures are accurately posted to the sponsored project. The department can labor reclass without the use of a cost transfer form if the labor transfer is within the time frame of the effort report. When the transfer occurs outside the effort report time frame a cost transfer form is required to be completed by the department to have the expenses moved.

Transfers of Unallowable Cost

Cost transfers involving unallowable costs charged to sponsored project accounts in Oracle. As previously mentioned, the Department is responsible for ensuring that the cost charged to a sponsored account is allowable, reasonable, and allocable. If an unallowable cost is charged to a sponsored account it would likely be identified during the Grants and Contracts Departments expenditure review process. When the unallowable cost is identified a cost transfer is used to move the unallowable cost off of the sponsored project account to Voluntary Cost Sharing (“VCS”) account. The cost transferred to the VCS account must be covered by the Departments non-grant/contract funds.

Note: Additional information regarding Cost Transfers can be found on the Financial Affairs website.

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