

POLICY

ACCEPTABLE REASONS FOR COST TRANSFERS

<i>Topic</i> Sponsored Award Administration Management	<i>Category:</i> Cost Transfers	<i>Policy No:</i> 5.90.01	<i>Effective Date:</i> 12/26/2014	<i>Page No:</i> 1 of 3
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Purpose: Frequent, tardy, and unexplained (or inadequately explained) transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, raise serious questions with sponsors and auditors about the propriety of the transfers themselves as well as the overall reliability of BTI's accounting system and internal controls. This policy provides guidance on the appropriate situations when a cost transfer is justified on a sponsored award.

- Policy:**
1. It is the policy of the Boyce Thompson Institute for Plant Research (BTI) that a cost transfer is justified in the following circumstances:
 - Clerical errors and data entry errors.
 - The transfer of charges onto a sponsored award that represents corrections of clerical or bookkeeping errors must be made promptly once the error is discovered.
 - Any request to correct a clerical error should be accompanied by an explanation of how the error occurred.
 2. The correcting entry should include a statement certifying that the adjusted charge or credit is correct and appropriate. Transfers between grants when a continuation award is forthcoming and the continuation grant number was not established when the expense was incurred.
 3. It is possible that a continuation award grant number is not established promptly, so continuation award charges that have been incurred on or after the start date of the continuing award may have been temporarily charged to the prior year's grant.
 4. A department may incur obligations and expenditures to cover costs prior to the beginning of an award if:
 - Costs incurred are considered necessary for the conduct of the project.
 - Costs are allowable under the pending award.
 - Sponsor written prior approval is obtained when required.
 - An award fails to materialize and charges have been incurred on the grant or contract account.
 - Agency approval may be required

Unallowable cost

5. If notified by the Business Office that a cost is not appropriate on the grant/contract and is to be paid from non-sponsored funds, a statement should be documented stating this fact. Once a transfer is made, the new source of funding is considered correct. Further transfers of that same cost are normally not allowable.

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Closely related work

6. When closely related work is supported by more than one funding source the expense should be allocated across projects accordingly a cost transfer may be made between those funds, provided it is a proper charge and the transfer is supported by an explanation. When closely related work is supported by more than one funding source, a cost transfer between funds may be made under these conditions:

- The cost is proper and allowable.
- Justification for the transfer is documented by the principal investigator and kept for audit purposes.
- The transfer is made within 90 days of the time of the original charge.
- Costs incurred after the ending date of the award will have to be transferred to another funding source which supports work closely associated with the award which is closing.
- All cost transfers must be in compliance with the Criteria for Cost Transfers Policy.

General Procedures:

7. Cost transfers to grants or contracts representing corrections of clerical or bookkeeping errors should be accomplished within 90 days from the end of the month that the error is recorded or omitted on the project account and must be reasonable, allocable and allowable.
8. Transfer of costs incurred more than 90 days prior to being transferred are permitted only with the approval of the Vice president for Finance.
9. Once the grant or contract has ended, the 90-day rule does not apply. It will be necessary to follow BTI Closeout Policies for closeout. The transfers must be supported by documentation that explains why costs are being transferred and a certification of the correctness of the new charge by the principal investigator or project director.
10. An explanation merely stating that the transfer was made "to correct error" is not sufficient.
11. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable. Transfers for the purpose of expending remaining funds on a project are not allowable when remaining funds exceed 10% of the total award.

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12. A reviewer will consider the rationale, nature, and timing of a cost transfer in determining whether the transfer passes the test of reasonableness and allowability. Factors such as how long after the charge first appeared on the expense statement and the impact the transfer will have on the accounts being charged will weigh heavily in the auditor's determination.
13. Cost transfers processed after the project end date are suspect by nature and must be particularly well justified, especially with respect to timing.
14. Partial amounts must also be well justified and should be avoided when possible.

Salary Expenses:

- Transfers of salary expenses are subject to additional scrutiny and must be well justified.
- Appropriate circumstances requiring transfer of salary expenses include the following:
 - Retroactive salary adjustments.
 - Transfers from department accounts to newly established sponsored awards.
 - Corrections to new hire information in the payroll system.

Special circumstance transfers.

15. These type of transfers may be approved provided they are done in a timely manner and reasonable justification is presented to and approved by the Business Office.
16. A request for the transfer of salary expenses should be submitted on a payroll action form. The memo should be routed through the Business Office for review and approval before any transfers are processed by the Payroll Department.
17. The Business Office will forward the payroll action form to the Payroll department. Any changes or cost transfers must be supported by accounting records or proposal budgets. Payroll changes are very limited after fiscal year end close.

Non-Salary Expenses:

18. Transfers of non-salary expenses must be made within 90 days of the posting and must be reasonable, allocable, and allowable under federal regulations. Adequate documentation and justification are required. A request to transfer non salary expenses should be submitted to the Business Office. The request must be approved by the principal investigator, accompanied by supporting documentation, and include a brief justification.