



Guidelines for Cost Transfers on Sponsored Awards

These guidelines are a companion to RO policy 19-002 “Cost Transfers on Sponsored Awards” and provide additional detail on responsibilities and processes. Definitions are re-stated from the policy for ease of use.

Definitions

- **Allocable Cost** –A cost assigned to a sponsored award or other cost objective where the goods or services involved are chargeable or assignable to that sponsored award or cost objective in accordance with relative benefits received.
- **Allowable Cost** – A reasonable cost that is allocable to the sponsored award. The cost must conform to any limitations or exclusions set forth in federal regulations or the sponsored award agreement.
- **Business Purpose** – For purposes of this policy, the business purpose is the description provided to ensure that a cost is necessary and reasonable for the sponsored project.
- **Cost Transfer** – An after-the-fact transfer of costs to or from a sponsored award after the expense was initially charged to another sponsored award or non-sponsored project account.
- **Cost Sharing** – Any project costs that are not reimbursed by the sponsor. Cost sharing of effort is the personnel time and related fringe benefits that were committed and provided in support of the project but are paid for by other funding sources.
- **Direct Cost** - Those costs that can be identified specifically with a particular project, or other internally or externally funded activity, or can be assigned to such activities relatively easily with a high degree of accuracy.
- **Documentation Standards** – Common rules and guidelines that establish the form, type and amount of documentation that is reasonable and appropriate to establish the justification for a transaction. Documentation requirements may include (but are not limited to) written explanations containing reference to relevant financial data elements, detailed receipts, emails, confirmation of payment, bill of sale, invoice, etc.
- **Pending Index** – An index established in OSU’s financial system to capture award costs in a restricted account prior to completion of award acceptance at OSU. The pending index is set up by the Office for Sponsored Research and Award Administration (OSRAA) upon receipt of a Pending Index Request Form approved by the Principal Investigator (PI) and Budget Authority

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(Dean, Director, Unit Head, etc.) and signed by the Director of Proposal and Award Administration in OSRAA. Pending index accounts are considered at-risk spending and must be guaranteed by the budget authority.

- **Transaction Justification** - Explanations that specify a transaction's legitimate business purpose and benefit to the sponsored award. This may be supplied by supporting documentation and/or written explanation when documentation does not provide adequate clarity or transparency.
- **Unallowable Cost** – Those costs that cannot be charged to a sponsored award due to sponsor and/or OSU policies, regulations and restrictions. These regulations vary by sponsor and the same sponsor may have different restrictions for different awards, depending on the source of the funding, the type of award (e.g. grant, cooperative agreement or contract), or the purpose of the award (e.g. research, equipment, conference, training). Therefore, whether a cost is considered allowable or unallowable for a sponsored award may only be determined through close review of the award documentation, sponsor regulations and guidelines, and OSU policies and procedures.

Guidelines

A cost transfer requires thorough documentation to support the transaction. In addition, the transfer must be timely, complete, and comply with allowability, allocability and reasonableness requirements.

Examples of cost transfers that may be allowable:

- Correction of error (i.e. transpositions and typographical errors)
- Unallowable cost removal from award
- Transfer pre-award costs from a departmental holding account
- Reallocate planned effort to reflect actual work
- Routinely allocate shared service center charges
- Allocation of a cost between two or more projects in proportions that can be determined in relation to the benefit to each project. *For example, when a sponsored award is supported by more than one funding source, a cost transfer may be made between awards provided the cost is allowable, directly benefits each project and the determination basis of the split is well documented in the transfer back-up.*

Examples of cost transfers that are not allowable:

- To use up the unexpended balance of an unrelated award
- Using a sponsored award account as a holding account for expenses that will be transferred elsewhere
- Costs allocable to a particular sponsored award may not be transferred to other sponsored awards
- To avoid restrictions imposed by law or the sponsored award
- To avoid a cost overrun of allowable/allocable project expenditures

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- Transferring a cost more than one time; once a transfer is made, the new source of funding is considered correct
- Other reasons of convenience

In the event that a project index is not yet available for an award, charges must be posted to a pending index, state or gift account. Under no circumstances are charges that will be subsequently be transferred elsewhere to be posted to a different sponsored award.

Cost transfers are very limited after fiscal year end close and must be approved by OSRAA.

Timeliness of Transfers

- Transfers of costs to or from sponsored awards must be made within 90 days following the end of the month in which the original charge was posted
- If the transfer is over 90 days following the end of the month in which the charge was posted, or if the transfer is for costs that posted in a prior fiscal year, a detailed justification explaining the transfer must be included in the JV text or attached documentation.

Documentation & Approvals

- Documentation is needed for audit purposes and is a key element in providing support and justification as to why the transfer was done. Thorough explanation and documentation is essential to avoid audit findings and possible disallowances
- FOATEXT must include the reason why the expense was charged incorrectly to the original index and how the expense directly benefits the receiving project.
- Examples of documentation:
 - Supporting schedules-such as Excel documents and stand-alone reports from independent operating systems
 - Other documents-if specific e-mails or word documents provide a better understanding of the entry, you should attach those documents to the entry. Previous journal entries that were done incorrectly can provide support on a corrected journal entry
 - Original invoices or other source documentation (i.e. I docs, F docs, IC docs, VM docs, etc.)
- Examples of required approval
 - E-mail from PI approving or confirming change
 - Written request for change from PI
 - Detail report signed by PI that includes correction

Roles & Responsibilities

A comprehensive list of OSU Roles and Responsibilities may be viewed at:

<https://research.oregonstate.edu/osraa/osraa-organization/roles-and-responsibilities>

Principal Investigator

- Initiate and/or approve cost transfer for non-labor related direct costs
- Provide detailed justification for all cost transfers of expenses that posted over 90 days prior and for costs that posted in a prior fiscal year

Business Center

- Process JVs for non-salary cost transfers

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- Prepare and include a detailed cost transfer justification in JV text or attached documentation for all transfers over 90 days and/or for prior fiscal year expenses
- File documentation and approvals for all cost transfers in Nolij under the JV document number for use in approving cost transfer JVs and for audit or other review purposes

Office for Sponsored Research and Award Administration

- Review and approve all cost transfers for sponsored awards for the following:
 - Allowability
 - Allocability
 - Confirm original charge and review for previous cost transfer
 - Available balance on index being charged
 - Charge is within award period