Policies and Procedures

Division of Finance & Treasury   **Subject: Cost Transfer Limitation and Policy**

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I.   TITLE

Cost transfer limitation and policy.

II.   OBJECTIVES

To establish sound and consistent management practices with respect to transferring costs to or from sponsored project accounts, especially in connection with federal or state grants or contracts in compliance with the cost allowability and allocability requirements outlined in the [Uniform Guidance (200.400 - Subpart E - Cost Principles](#))

III.   SCOPE

A **cost transfer** is an after-the-fact reallocation of costs salary and non- salary associated with a transaction from one award to another award. Faculty and staff must make every effort to allocate sponsored project costs to the appropriate project (s) at the time the costs are incurred. However, in certain circumstances, it is permissible to transfer costs from one award to another ("Cost Transfer"). Such cost transfers to sponsored projects are allowable only when:

- There is a direct benefit to the project being charged;
- The cost transfer is accompanied by appropriate documentation;
- To correct errors due to the untimely receipt of information by the University (e.g., late notice of award);
- To reallocate effort based on actual effort levels;
- To correct salary distribution estimates;
- To move pre-award costs to the appropriate project, in accordance with OMB Uniform Guidance;
- To correctly allocate costs benefiting more than one project;
- To correct clerical and bookkeeping errors
- To remove unallowable charges;
- To remove out-of-period charges.

All transfers and their accompanying justifications must be reasonable, equitable, and in realistic proportion to the benefit provided.

Montclair State University is required to carefully monitor these transfers for compliance with federal regulations and policies, and federal cost principles that underlie all fiscal activities of sponsored projects. Montclair State University is required to maintain documentation of cost transfers and to make these documents available for audit or other reviews.

IV.   PROCEDURE

Cost transfers to sponsored projects which fall within the allowable reasons should be accomplished within 90 days of the original entry or fewer days if the original entry is closer to the closing date a grant or contract. Cost transfers should never take place more than 60 days past the project end date. All cost transfer requests must be supported by documentation that fully explains how the error occurred and approved for correctness by Grant Accounting.

Any transfer made after this period raises serious questions regarding the propriety of the transfer. If a principal investigator or project director desires to request a transfer after this time period, they should complete the Cost Transfer Explanation Form to provide adequate explanation of why the transfer is late, provide justification for the transfer and certify the propriety of the transfer. All transfer requests after the 90-day period must also be certified by the appropriate Dean or Dean designee. Cost transfers are subject to review and approval by Grant Accounting.

V.   UNALLLOWABLE COST TRANSFERS

Certain Cost Transfers are not allowable under any circumstances. In particular, costs allocable to a particular sponsored project may not be transferred to other sponsored projects:

• To correct deficiencies caused by overruns or other funding considerations;

• To avoid restrictions imposed by law or by terms of the Sponsored Project;

• At no time should sponsored projects be used to "park" charges which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or the new project has not been received;

- Costs may not be transferred to a sponsored project merely because there are unexpended funds available which would otherwise be returnable to the sponsor;