Rutgers the State University of New Jersey
Cost Transfer Policy for Sponsored Projects

Contents

COST TRANSFER POLICY

It is the policy of Rutgers, The State University of New Jersey ("Rutgers") that costs should be charged to the appropriate sponsored project when first incurred. There are circumstances in which it may be necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Those transactions require monitoring for compliance with Rutgers policy, Federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects.

When Rutgers accepts Federal research funding, it must comply with the allowability and allocability requirements of the Federal Cost Principles and the Uniform Administrative Requirements. To comply with the allowability and allocability requirements, it is necessary to explain and justify transfers of charges onto federal and non-federal sponsored projects from other federal or nonfederal projects. The cost principles prohibit the use of cost transfers for the purpose of "convenience," including a transfer largely for the purpose of using unexpended funds on an award that is ending. Timeliness and completeness of transfers and the accompanying justification for the transfers are important factors in supporting allowability, allocability and cost compliance.

In order to maintain consistency in the treatment of cost transfers, the Rutgers policy on cost transfers applies to all federal and non-federal sponsored projects. Under the Rutgers Cost Transfer Policy, all transfers must be completed within 90 calendar days of the original GL post-date in which the expense was posted. When transfers are not adequately justified or are made for inappropriate reasons, the department is responsible for transferring the expenses to a non-sponsored departmental funding source.

Reason for Policy

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate control systems:

- Frequent cost transfers
- Late cost transfers
- Inaccuracies and duty of care in recording transactions
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Inappropriate transfers will result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency.

Definition of Cost Transfers

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to or from a sponsored project within a 90-calendar day period from the original accounting date. Funding agency requirements concerning the management of awards made to institutions such as Rutgers, limit the circumstances under which cost transfers are allowed. **In contrast, a rebudgeting action involves the reallocation of budgeted funds and not a transfer of expenditures**.

Here are some examples of typical circumstances in which cost transfers are allowed:

- Correction of a clerical error
- Reallocation of expenses where multiple projects benefited
- Reallocation of shared resource costs
- Transfer of pre-award costs from departmental or discretionary project funds to a sponsored project
- Reallocation of a salary expense

A late cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project more than 90 calendar days from the accounting date.

Here are some examples of typical circumstances in which late cost transfers may not be allowed:

- Reallocation of expenses because the grant has unexpended funds
- Reallocation of expenses because the clerical error was not identified within a 90-calendar day period

TERMS AND DEFINITIONS

Fund Types A three (3) digit code that identifies a project as sponsored or non-sponsored. All fund-types in table below are classified as Sponsored

FT	Description	FT	Description
190	Unrestricted Cost Share	390	Medical Contracts State of New Jersey
310	Federal Grants & Contracts	400	Local Municipal Grants & Contracts - NJ
315	Federal Pass-Through	500	Corporate Grants & Contracts
320	Federal Appropriations (Hatch Smith Lever)	520	Foundations Grants & Contracts
375	State Pass Through	560	Associations Other Non-Profit Grants & Contracts
380	Grants & Contracts State of NJ	580	Foreign Grants & Contracts
385	Grants & Contracts Other States	630	Restricted General Non-Grants

Advance Award A project that is established in the financial system prior to receipt of an award; a provisional Project number.

Accounting Date For the purposes of this policy, the accounting date or General Ledger date is the original date of the journal date as shown in the Rutgers Financial Management System ("RFMS")

Allocable A cost is allocable to a project if goods or services involved are chargeable or assignable in accordance with the relative benefits received by the projects. In order to be allocable a cost must be treated consistently in like circumstances. For further information see 2 CFR 200, Subpart E or OMB Circular A-21.

Allowable A cost is allowable to a project if:
A. The costs are reasonable;
B. The costs are allocable to the specific project;
C. The costs are treated consistently in like circumstances; and
D. The costs conform to any limitations of the cost principles or the sponsored agreement.
For further information see 2 CFR 200, Subpart E or OMB Circular A-21.

Appropriate If a cost meets the criteria of being allowable, allocable, and reasonable it is appropriate.

Authorized Signer An individual who authorizes a cost transfer transaction, usually the PI or a designee.

Award A funding mechanism between Rutgers and a sponsor whereby the sponsor commits funding to Rutgers for a specific scope of work and for a specific period of time.

Award Expiration Date The end of an award period on a project.

Commitment Accounting A Rutgers computer system used to enter employee charging instructions and salary cost transfers

Cost Transfer An after-the-fact reallocation of the cost, either salary or non-salary, to a sponsored project within a 90- calendar day period from the original accounting date of a transaction.

Cost Transfer Review A process whereby transactions are analyzed to see if they meet the standards of reasonableness, allowability, and allocability, and are in accordance with Agency and Rutgers guidelines.

Direct Costs Costs that can be specifically and readily identified with a particular project or activity.

Documentation The Section in the Cost Transfer form, where the 90-day justification is recorded.

ECRT The Effort Certification and Reporting Technology System where employee effort is certified by PIs or Designees.

Effort A percentage of time devoted to a project by a principal investigator or other key personnel.

Employee Charging Instructions: The application within the Commitment Accounting system where cost transfers are completed.

Facilities and Administrative Cost Costs that are incurred by the Institution for common or joint objectives and cannot be identified specifically with a particular project or program. These costs also are known as, “F&A”, “indirect costs”, “overhead” or “burden”.

Fiduciary Responsibility Responsibility to manage funds in a manner consistent with the furtherance of Rutgers mission and the conditions specified by external sponsors, when applicable.

Late Cost Transfer A transfer requested more than 90 calendar days after the original accounting date in which the transaction has posted.

Non-Salary Costs For purposes of this policy, non-salary costs are supplies, consultants, travel, equipment, and other non-payroll or non-stipend expenditures.

PI (Principal Investigator) The individual ultimately responsible for determining that the expenditures are necessary, allowable, allocable, reasonable, properly approved, and adequately documented. A PI may delegate this authority to a designee.

Project A set of activities including budget, scope of work, period of performance and PI. An award (the legal obligation of funds) may contain one or more projects.

Project ID The numeric identifier for the financial activity of a project. The Project ID number is a unique six-digit (6) number and is used to record financial activity in the general ledger. It is sometimes referred to as an "account number" or "project number".

Reasonable Would a prudent person pay this amount for this item or "If it were published on the front page of a major newspaper, would that be okay with you"? For further information see 2 CFR 200, Subpart E or OMB Circular A-21.

Salary and Wage Redistribution and Justification: The Rutgers application used to submit a late salary cost transfer request when a Department is unable to make salary adjustments using the ECI system. Cost transfers with sponsored accounts are approved by GCA while Cost Transfers with only non-sponsored accounts or GL transactions are approved by Payroll Services

Salary Costs For purposes of this policy, salary costs are payroll expenses (salary and fringe-benefits) as well as stipends that are reported as costs to the general ledger.

Sponsored Project A project funded by an award from a grant, contract, or cooperative agreement under which the Institution agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budget.

Stewardship The careful and responsible management of the Institution's financial resources.

Stipend A payment made to an individual for participation in training or learning experience. The payment helps defray the individual's living expenses during the period of training. Even though a stipend is not considered compensation for the services of an employee, a transfer of stipend costs uses a salary cost transfer mechanism.

Transaction Any event that involves an exchange of funds between two parties. Examples are paying a bill to a vendor, collecting a fee, and processing an interdepartmental charge.

UDO or Dept ID The eleven-digit (11) code that identifies Rutgers spending units by Unit/Division/Organization.

RFMS Rutgers Financial Management System. The reporting system used to provide information for the Rutgers financial accounting system.

RAPSS Research Administration and Proposal Submission System. **This is an electronic gateway** for the submission, review, approval and tracking of funding proposals and related budgets for research at Rutgers. The Office of Sponsored Programs ("ORSP") maintains all information regarding grant and contract applications, budgets and on-going annual adjustments to research funding using this system.

TYPES OF TRANSFERS

Salary Cost transfers
A salary cost transfer means the movement of payroll expenses or stipends to or from a sponsored project. Payroll expenses include salary and fringe benefits.

Non-Salary cost transfers
A non-salary cost transfer means the movement of expenditures for items other than payroll or stipends to or from a sponsored project. Typical examples of non-salary costs include expenses for supplies, services, consultants, travel, and equipment.

Salary Cost Transfers Within 90 Days
An Example of an appropriate Salary Cost Transfer: a payroll error was posted on 9/30. A Salary Cost Transfer needs to be completed in Commitment Accounting using the Employee Charging Instructions ("ECI") application prior to 12/29.

The distribution of salary charges for University personnel should be a reasonable reflection of the employee's effort. These distributions should be reviewed on a regular basis. If changes are anticipated, a payroll change should be completed.

In cases where these changes were not anticipated and result in the need to submit a salary late cost transfer request, the request should be submitted immediately (see "Timeliness," below).

Careful consideration must be given to personnel allocations to ensure that projects that benefit are charged properly at the outset and that further adjustments are not required. Salary distribution and the amount of effort as certified in ECRT must coincide.
Note: for Cost Transfers affecting sponsored project accounts, if the salary cost transfer affects a closed effort certification period, then a recertification of effort is required. Please refer to the Effort Certification & Reporting Guidelines for further information.

Permissibility of Salary Cost Transfers
For a Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness
Salary Cost transfers should be processed immediately after the error is identified, but in any case not later than 90 days after the original GL transaction journal date. **Transfers made after this period of time raise questions concerning the propriety of the transfer**. Each Salary Cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate

documentation. GCA may also require additional supporting documentation or information beyond what is required with the salary cost transfer request.

Process

To process Salary Cost transfers within 90 days, you will need to login the Peoplesoft Employee Charging Instructions ("ECI"). The salary cost transfer should include a complete justification. As general guidance, the explanation should address the following questions:

1. **Why was this expense originally charged to the account string from which it is now being transferred?**
2. **Why should the charge(s) be transferred to the proposed receiving project (how does the project benefit)?**
3. **Why are the charges allowable and allocable based on the terms and conditions of the receiving award?**

Generic or incomplete justifications must not be used

Late Salary Cost Transfers (Beyond 90 Days)

An Example of a Late Salary Cost Transfer: A payroll error was posted on 9/30 but was not identified until **after** 12/29. A late salary cost transfer request (SWRJ) should be submitted immediately. However, should it not meet the extenuating circumstances condition, charges would be required to be moved to a non-sponsored departmental account.

The distribution of salary charges for University personnel should be a reasonable reflection of the employee's effort. These distributions should be reviewed on a regular basis. If changes are anticipated, a payroll change request should be completed immediately.

In cases where these changes were not anticipated, resulting in the need to submit a salary cost transfer request, the request should be submitted immediately in the Salary & Wage Redistribution and Justification Online System ("SWRJ") (see "Timeliness," below).

Careful consideration must be given to personnel allocations to ensure that projects that benefit are charged properly at the outset and that further adjustments are not required. Salary distribution and effort as certified in ECRT must coincide. Note: for transfers affecting sponsored project IDs, if the salary cost transfer request affects a closed Effort certification period, refer to the Effort Certification & Reporting Guidelines for further guidance on recertification.

Permissibility of Late Salary Cost Transfers

For a Late Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Salary Cost transfers should be processed immediately after the error is identified, but in any case not later than 90 days after the accounting date of the original transaction. **Transfers made after this period of time raise questions concerning the propriety of the transfer**. Requests for transfers made after 90 days will be considered only under extenuating circumstances.

Note: Rutgers University is obligated to immediately correct unallowable charges made to sponsored projects, regardless of time frame.

Each Late Salary Cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. GCA may also require additional supporting documentation or information beyond what is required with the salary cost transfer request.

Process

To process Late Salary Cost transfers, you will need to submit a completed Salary Wage Redistribution Justification ("SWRJ") in the online system

The system requires additional justification for salary cost transfers made after 90 days. You must provide this complete justification by addressing the following questions:

1. Why was this expense originally charged to the account string from which it is now being transferred?

2. Why should the charge(s) be transferred to the proposed receiving project (i.e. how does project benefit)?

3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?

4. Why is this cost being transferred more than 90 days after the transaction occurred?

5. What corrective action has taken place to eliminate the need for cost transfers of this type in the future?

6. What specific payroll instructions or comments are required?

Generic or incomplete justifications may be returned to the preparer for additional explanation.

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Non-Salary Cost Transfers within 90 Days

An Example of a Non-Salary Cost Transfer: An error was posted on 9/30. A non-salary cost transfer request needs to be completed in RFMS prior to 12/29.

Permissibility of Non-Salary Cost Transfers

For a Non-Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Non-Salary Cost transfers should be processed immediately after the error is identified, but in any case no later than 90 days after the accounting date of the original transaction. **Transfers made after this period of time raise questions concerning the propriety of the transfer**.

Each Non-Salary cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. GCA may also require additional supporting documentation or information beyond what is required with the non-salary cost transfer request.

Process

To process Non-Salary Cost transfers within 90 days, you will complete the appropriate journal entry in RFMS as long as the Project is active. If the Project has expired or become inactive then you must submit the Late Cost Transfer Exception Request ("LCTER") in the GCA Institutional Prior Approval System ("IPAS") online system. As general guidance, the explanation should address the following questions:

1. Why was this expense originally charged to the account string from which it is now being transferred?

2. Why should the charge(s) be transferred to the proposed receiving project (how does the project benefit)?

3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?

Generic or incomplete justifications may be returned to the preparer for additional explanation.

Late Non-Salary Cost Transfers (Beyond 90 Days)

An Example of a Late Non-Salary Cost Transfer: An error was posted on 9/30, but was not identified until **<u>after</u>** 12/29. A LCTER request should be submitted immediately. However, should this not meet the extenuating circumstances, charges would be required to be moved to a non-sponsored departmental account.

Permissibility of Late Non-Salary Cost Transfers

For a Late Non-Salary Cost transfer to be permissible, it needs to meet the criteria established for both timeliness and appropriateness.

Timeliness

Non-Salary Cost transfers should be processed immediately after the error is identified, but in any case no later than 90 days after the end of the month of the original transaction. **Transfers made after this period of time raise questions concerning the propriety of the transfer**. Requests for transfers made after 90 days will be considered only under extenuating circumstances.

Note: Rutgers University is obligated to immediately correct unallowable charges made to sponsored projects, regardless of time frame.

Each Late Non-Salary cost transfer must be clearly explained with supporting documentation. The PI or designee has primary responsibility for fulfilling these requirements and maintaining the related records. In addition, the PI or designee is responsible for providing appropriate documentation. Grants and Contracts Compliance may also require additional supporting documentation or information beyond what is required with the late non-salary cost transfer request.

Process

To process Late Non-Salary Cost transfers, you will need to submit the Late Cost Transfer Exception Request ("LCTER") in the GCA Institutional Prior Approval System ("IPAS") online system. The Cost Transfer requires additional justification for non-salary cost transfers made after 90 days. You must provide this complete justification by addressing the following questions:

1. Why was this expense originally charged to the account string from which it is now being transferred?

2. Why should the charge(s) be transferred to the proposed receiving project (i.e. how does project benefit)?

3. Why are the charges allowable and allocable based on the terms and conditions of the receiving award?

4. Why is this cost being transferred more than 90 days after the transaction occurred?

5. What corrective action has taken place to eliminate the need for cost transfers of this type in the future?

Generic or incomplete justifications may be returned to the preparer for additional explanation.

ROLES AND RESPONSIBILITIES

Principal Investigator/Department Designee Responsibilities:

- Ensures expenditures are allocable, allowable, and reasonable to a specific sponsored project.
- Ensures allocation of expenditures in accordance with award budget, sponsor guidelines, and Rutgers policy.
- Ensures individuals have appropriate authority to incur and allocate expenditures.
- Ensures monthly monitoring of expenditures, timely correction of errors, and reallocation of expenses, including personnel effort, occurs.
- Ensures compliance with Rutgers Cost Transfer Policy.
- Initiates and/or authorizes requests for cost transfers.
- Provides complete, clear and reasonable justification for transfers as required by this policy.
- Manages project to minimize the need for cost transfers.

University / Departmental Responsibilities:

- Ensures personnel responsible for financial administration of sponsored projects are familiar with Rutgers Cost Transfer Policy.
- Provides oversight and advice on sponsored project administration including cost transfers and effort reports.
- Provides support to answer questions and concerns from PI's and departments regarding cost transfer issues.
- Approves transfers, and ensures 90-day compliance with Rutgers Cost Transfer Policy.

Grant and Contract Accounting Responsibilities:

- Exercises stewardship over sponsored projects in accordance with specific award terms and conditions and sponsor policy.
- Advises PI, Department, and Dean's Office on processing cost transfer adjustments and procedures.
- Reviews and approves cost transfers and supporting documentation in accordance with Rutgers policy and sponsor guidelines.
- Provides training on Cost Transfer Policy and principles of sponsored project administration.

Please note that the distribution of these responsibilities may vary in different areas of campuses. Responsibilities may be shared or delegated differently between the respective groups depending on organizational structure and staffing at the PI/designee, university/departmental, and Grant and Contract Accounting Office level.

Assistance and Support

GCA Compliance is available to respond to inquiries and assist the PI or designee and College/School personnel with questions regarding Cost Transfers on sponsored programs. Your university/departmental Dean’s administrative office and Payroll Services will also be able to provide guidance with cost transfer issues and concerns.

PROJECT AND AWARD MANAGEMENT

It is critical that all sponsored project expenditures be reviewed on a regular basis to ensure that both salary and non-salary charges are correct and appropriate. It is the responsibility of the principal investigator, and/or the PI's designee, to authorize transactions and review the expenditure activity. This review should include the determination that the charges are reasonable, allowable, allocable, and directly support the scope of work for that project.

Appropriateness

Typically, cost transfers are appropriate when they involve allowable direct costs of the sponsored project and the purpose is to:

- Correct errors in processing the original charge
- Move costs between projects for closely related work (as defined by the project scope) that is supported by more than one funding source
- Transfer pre-award costs in accordance with the provisions of 2 CFR 200, Subpart D §200.308(d) (1) or OMB Circular A-110, Section C.25.e.1

Lack of Appropriateness

Inappropriate circumstances for cost transfers include, but are not limited to, the following:

- When the transfer is largely for the purpose of utilizing unexpended funds on a sponsored project
- When the transfer is for the purpose of avoiding or clearing a cost overrun by charging another, unrelated sponsored project
- When the transfer circumvents award terms and conditions or the cost principles

Frequent, late, and inadequately explained or documented transfers raise serious questions about the appropriateness of the cost transfers and may result in audit disallowances.

ADDITIONAL REGULATORY REFERENCES

OVERVIEW:
Sponsored programs are subject to many terms and conditions from a variety of sources. Accordingly, Rutgers policy stipulates that all Sponsored funds are subject to the following rules and regulations:
o All applicable Federal Office of Management and Budget (OMB) Circulars.
o Rules and regulations of the granting agency.
o State Statutes.
o University Policies.

FEDERAL GUIDELINES:
Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) and Office of Management and Budget (OMB) Circulars

2 CFR 200 and OMB Circulars provide the overall guidance for use of Federal funds. It is expected that all recipients of Federal funds will comply with the terms and conditions of the appropriate subpart of 2 CFR 200 or Circulars in all circumstances. 2 CFR 200 applies to awards issued on or after December 26, 2014. OMB Circulars may apply to awards issued prior to December 26, 2014.

- 2 CFR 200, Subpart E—Cost Principles, §§200.402-200.405 or OMB Circular A-21 "Cost Principles for Educational Institutions" (05/2004) sections C.1-C.4 establish basic cost considerations which include the concepts of allowability, allocability, and reasonableness.
- 2 CFR 200, Subpart E §200.405(c), which is of particular importance, states: "Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons." Similar guidance was provided in A-21, C.4.b.
- 2 CFR 200, Subpart D—Post-Award Federal Requirements, §200.343(b) states: "Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award." Similar guidance was provided in OMB Circular A-110 "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations" (09/1999) subpart D.71 (b).
- 2 CFR 200, Subpart F—Audit Requirements, §200.514 stipulates that each fiscal year an annual audit be conducted to "determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards." An annual Compliance Supplement is issued with a matrix of compliance

requirements for grants from each federal agency providing auditors specific instructions for reviewing auditee's internal control systems as well as adherence to allowable cost guidelines and principles. Similar guidance was provided in OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" section E.500.

Policies of Federal Granting Agencies:

- The NIH Grants Policy Statement (NIHGPS) (Rev. 11/16) Part 7.5, suggests: "Cost transfers to NIH grants by recipients…should be accomplished within 90 days…. 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…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. Recipients must maintain documentation of cost transfers, pursuant to 45 CFR 75.364, and must make it available for audit or other review…. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, recipients are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent recurrence. NIH also may require a recipient to take corrective action by imposing additional terms and conditions on an award(s)."

As Non-NIH agency guidelines may differ, please check individual agency policy for the allowability of Cost Transfers.

EXTENUATING CIRCUMSTANCES

Approval for late cost transfers will be granted only in extenuating circumstances.

Examples of Allowable Extenuating Circumstances:
- Late issuance of an award or full execution of an agreement or subaward agreement after the start of the budget year or other period of performance. Supporting documentation is required. GCA recommends that an Advance Award request via RAPSS be established, which is done at the request of the Principal Investigator or designee.
- Failure of a timely response in another unit when supporting documentation has been properly submitted, e.g., a properly submitted payroll distribution change request. Supporting documentation will be required.
- Transfer of expenditures to a sponsored project where the appropriate account could not be activated on a timely basis before the begin date of the project.

Examples of Unallowable Circumstances for Late Cost Transfers:
- Absences of the PI or designee, or shortage or lack of experience of staff. It is the responsibility of the Department/School and the PI to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor's policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.
- At no time should sponsored projects be used for expenses that will subsequently be transferred elsewhere.

More Information
- Late Salary cost transfers
- Late Non-Salary cost transfers

COST TRANSFERS FREQUENTLY ASKED QUESTIONS

Q1: Why is the time period 90 days?

Ninety (90) days has emerged as the standard used by government and business auditors to determine whether costs are reasonably assigned to their proper project and function. It is a standard established in federal circulars and grant policy.

Standard practice should be to post costs to the most appropriate project/grant. However, subsequent adjustments may be necessary, for example to account for unforeseen shifts of personnel between closely related sponsored projects, or to correct errors. These actions are reasonable if transferred within 90 days.

Q2. How do you calculate the 90-day period?

The 90 days begins at the original posting date when the expense is posted.

For example, if a travel expense is posted September 30, the 90-day period begins September 30. Transfers initiated by December 29 would fall within the 90-day period. Transfers initiated after that date would be considered late cost transfers and require the additional justification. A transfer cannot be processed until all required responses are provided.

Q3. Is this standard applicable to all sources of University funds?

No, the 90-day standard is being applied only to sources of externally sponsored projects that are in the sponsored projects fund-types. Although this standard is not a requirement for other funds or gift accounts, it should be considered useful guidance. It is important for the University as a whole to record its costs (and associated revenues) in a timely fashion. The accuracy and auditability of its records are improved when postings and corrections are made in a timely manner.

Q4. Is this standard applicable to all my Sponsored Projects?

Yes, this standard is applicable to all externally sponsored University projects and activities in the fund-types listed in the terms and definitions section of this policy. If you have projects managed in other fund sources, the 90 day-standard is not a requirement. It should be considered useful guidance. However, the Office of the University Controller has established rolling cutoffs for non-sponsored and G/L projects. Please contact the Controller's office for additional details

Q5. Is this standard applicable to salaries?

Yes, this standard is applicable to salary expenditures. It is especially important that, to the extent possible, payroll expenditures are budgeted and recorded on the proper Project ID at the time of their occurrence.

Q6. Can I wait until our department completes its effort reports before submitting salary transfers?
Generally, not. The intended use of effort reports is not as a check of where salary charges are made. Salary distributions should be reviewed on a regular basis, so the effort reports are a reasonable reflection of the employee's paid effort when first generated.
There may be situations where changes are needed to the effort reported and the corresponding salary transfer is needed. The transfer may be appropriate, but because it is beyond 90 days the transfer would also need to meet the extenuating circumstances test.

Q7. How should research expenditures for project work be recorded before a sponsored project is established?
The Department/School's finance office can assist in establishing an Advance Award (requested in RAPSS). It is not appropriate to use a generic discretionary account (G/L string or non-sponsored project) and move expenses to the funded award beyond 90 days.

Q8. What if a vendor doesn't provide an invoice for services rendered within 90 days?
Although rare, this circumstance can occur and may be an acceptable circumstance for a late transfer justification. The University cannot pay for services for which it has not been invoiced. Vendors should be contacted immediately and urged to submit outstanding invoices or risk the possibility of non-collection due to lapsing funds. If a vendor invoices later than 90 days after the provision of services, the University will pay in accordance with its Accounts Payable policies.

Q9. What if a program is disputing an invoice with a vendor and the dispute extends beyond 90 days?
The dispute should be clearly documented between the program and the vendor. The University has an obligation to notify vendors in a timely manner if goods and services are not satisfactory and to timely pursue resolution of outstanding issues. Delays due to the normal course of other business intervening, change in personnel or other departmentally based factors are not acceptable reasons for delaying posting of expenditures.

Q10: Is it allowable to place charges on a discretionary account, or other internal departmental account, but then transfer/reallocate these costs to several other Sponsored projects?
Generally, whenever possible, costs should be charged to the appropriate sponsored project when first incurred.

Q12: If a PI requests a salary transfer for a student and then two months later requests another transfer of the same charge to another project, what do I do?
It is Rutgers policy that costs be charged to the appropriate sponsored project when first incurred. Unless there are extenuating circumstances clearly explained in the cost transfer justification, **<u>a second transfer on a Sponsored project is unallowable</u>**. At no time should sponsored projects be used as back-up projects or as discretionary projects for expenses that will subsequently be transferred elsewhere.

Q13: Are generic statements such as "transfer to appropriate funding source" and "to reflect additional efforts" sufficient justification for transfers less than 90 days?
Generic statements are not generally acceptable on externally supported cost transfers. For all charges on a project, you should be able to explain the allowability of those costs. As general guidance, acceptable justifications should be able to address the following:
1. An explanation as to why this expense was originally charged to the account string from which it is now being transferred?
2. An explanation as to why the charge needs to be transferred to the proposed receiving project.
3. An explanation as to why the charge is allowable and allocable based on the terms and the conditions of the receiving award.

For cost transfers after 90 days of the accounting date, the justification must include the items above as well as two additional items:
4. Why the cost is being transferred more than 90 days after the accounting date.
5. What corrective action has been taken to eliminate the need for cost transfers of this type in the future at the departmental level.

Q14: May I use a cost transfer to "spend down" a project that is nearing its end date?
If the cost transfer does not meet the standards for allowability, allocability and reasonableness, it will not be approved.

Q15: There is a staffing shortage in our department and I am doing payroll, department administration, budgeting, grant accounting, etc. Many times my transfers are past 90 days. Will they be approved?
Staff shortages or lack of staff experience are unallowable circumstances for late cost transfers. Auditors typically view this explanation as a sign that the department does not provide adequate monitoring or maintain sufficient internal control over the use of Sponsored funds. The Department/School and the PI have a responsibility to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor's policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

Q16: A grant/contract has been in negotiation for 5 months and the project has now been set-up. Work started and costs were charged to our department funding. Can I now transfer 5 months of salary expense to the new project?

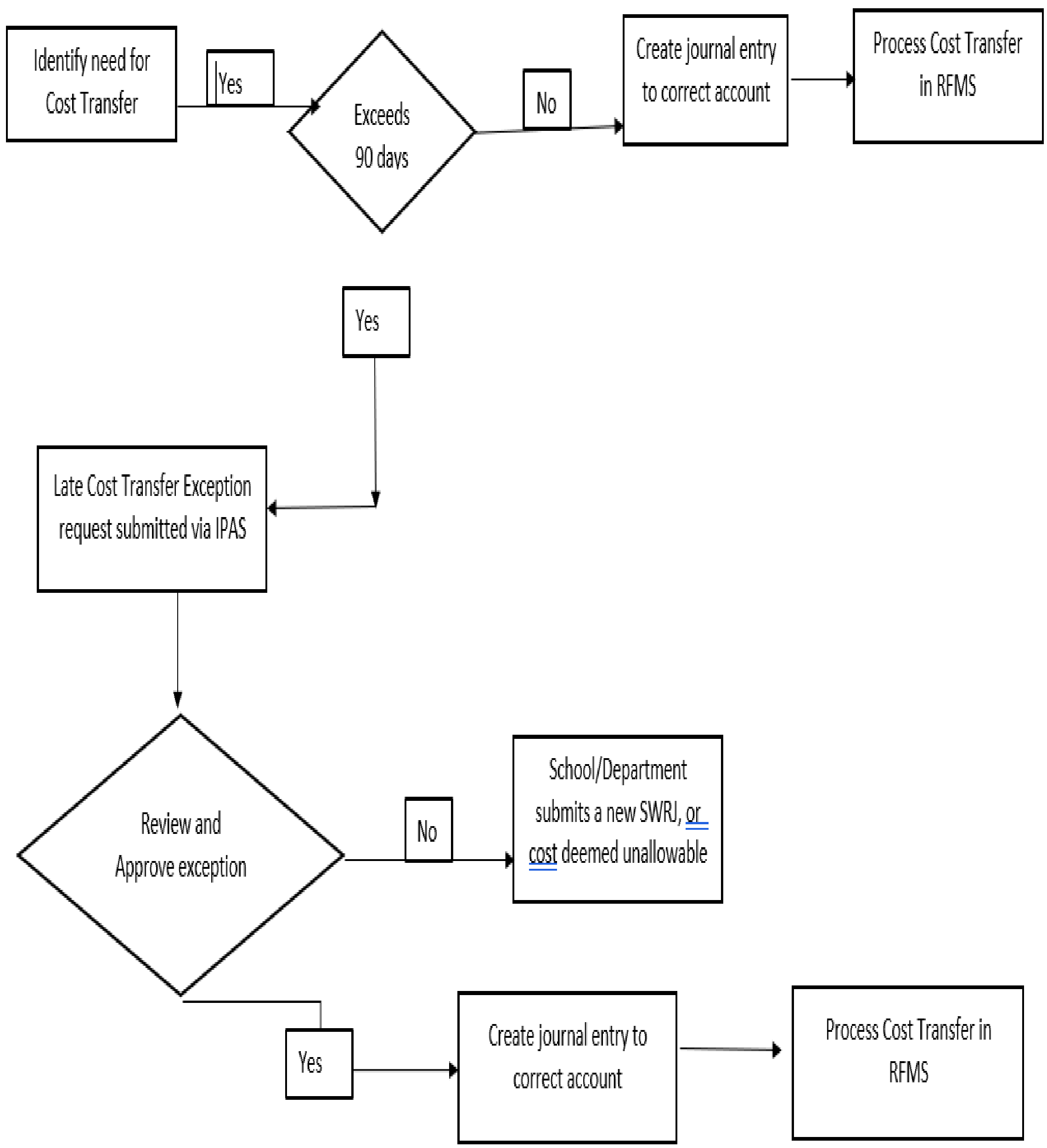
A five-month contract negotiation would be considered an allowable extenuating circumstance. The five-month salary transfer should be submitted as soon as the PI knows the new project ID. Supporting documentation/justification is required with the transfer. To avoid this extenuating circumstance, GCA recommends that an Advance Award be established, which is done at the request of the Principal Investigator or designee.

Q17: I need to do a transfer because of an error created in another department or unit of campus. When I write my justification, should my explanation specify the other unit by name?

Yes. While no one likes to point fingers or blame others for mistakes, it is important to explain the reason for the transfer. Areas that consistently make errors need additional attention and training to help them understand the complications they create. Over the long-term, central administration will be working with these units to improve their operations so fewer errors, and corresponding transfers, occur.

APPENDIX 1:

Non-Salary Cost Transfers



APPENDIX II

Salary Cost Transfers