



# POLICY FOR COST TRANSFERS TO FEDERALLY FUNDED AWARDS

September 15, 2015

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## SCOPE

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This policy sets forth the California Institute of Technology's requirements for transferring costs after-the-fact to a Federally-funded sponsored project. The policy has been established to ensure consistency with other Caltech policies and compliance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance in 2 CFR, Part 200 (Uniform Guidance) or OMB Circulars A-21 and A-110, as applicable. Ideally, all costs should be charged to the appropriate Federal grant, contract, cooperative agreement, or subaward when first incurred. However, there are circumstances where it may be necessary to transfer expenditures to a Federal award subsequent to the initial recording of the charge.

Caltech is committed to ensuring that cost transfers are made in accordance with Federal and agency regulations and Caltech policy. To comply with these requirements, after-the-fact transfers of costs from a Federal or non-Federal award to a Federal award require confirmation that such costs are allowable, allocable and benefit the receiving award. Timeliness of such transfers, along with thorough explanations of the circumstances, is critical to support the allowability and allocability of the costs, in addition to demonstrating stewardship of Federal funds.

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## DEFINITIONS

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### **Allocable Costs**

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or such cost objective in accordance with relative benefits received. See § 200.405, Allocable Costs, of the Uniform Guidance.

### **Allowable Costs**

Costs must be necessary and reasonable for the performance of the Federal award, be allocable, conform to any limitations or exclusions in the Uniform Guidance or the Federal award, be consistent with Caltech policies and procedures, receive consistent accounting treatment, be determined in accordance with Generally Accepted Accounting Principles, not be claimed as cost sharing or matching for any other Federal award, and be adequately documented. See § 200.403, Factors Affecting Allowability of Costs, of the Uniform Guidance.

**Cost Transfer**

A cost transfer is an after-the-fact movement of costs (labor and non-labor) from a sponsored or non-sponsored award to a Federal award.

**Federal Award**

A Federal award is funding in the form of a grant, contract, cooperative agreement, or subaward that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity.

**Funding Source Award Number**

The Funding Source Award Number (also known as the “grant or contract number”) is the unique identifier within the Caltech financial system that designates a specific sponsored award; by default, the Funding Source Award Number is the identifier issued by the sponsor. Multiple Project-Task-Accounts (PTAs) can be issued to support a single sponsored award. The Funding Source Award Number for each of those PTAs will be the same, which allows for roll-up of costs across several PTAs to a single sponsored award.

**Labor Costs**

For the purpose of this policy, labor costs include bi-weekly salaries (administrative, research and technical), monthly salaries (faculty, administrative, and research) salaries, as well as stipends and other fellowship costs. Graduate assistantships and student wages are also included in labor costs.

**Non-Labor Costs**

Non-labor costs include, but are not limited to, subcontracts, materials and supplies, travel, and equipment.

**Reasonable Costs**

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

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## POLICY

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Ideally, all costs should be charged to the appropriate Federal grant, contract, cooperative agreement, or subaward when first incurred. However, there are circumstances where it may be necessary to transfer expenditures to a Federal award subsequent to the initial recording of the charge. Any cost allocable to a particular Federal award under the principles provided for in this policy may not be moved to other Federal awards in order to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons, except for those listed below.

**Circumstances Requiring a Cost Transfer**

Any time a transfer is initiated, the assumption is that the initial transaction was not recorded properly. If expenses are being transferred to federally sponsored projects, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges. Auditors closely scrutinize the allowability, allocability, and reasonableness of cost transfers and Federal research sponsors give attention to the reason behind cost transfers from and to sponsored projects.

Federal requirements concerning the management of awards made to institutions such as Caltech limit the circumstances under which costs transfers are allowed. Examples of typical circumstances where costs transfers may be allowed are as follows:

- Error Correction – May include clerical errors (transposition, typographical) or other errors identified during the review of expenditure reports (labor distribution schedules not updated, purchase charged to a PTA that was not the one that benefited, etc.).
- Reallocation of effort and other non-labor expenses where multiple projects benefited.
- Reallocation of shared services.
- Transfer of pre-award costs – It is recommended that a pre-award account be established to prevent the need for such transfers.

### **Overspent Accounts**

Special provisions apply to cost transfers to Federal awards from overspent Federal awards. If an award is overspent, there is a presumption that the cost transfer is being made solely to alleviate the overspending. Cost transfers to Federal awards from overspent awards generally will not be allowed. An exception will be permitted when the overspent project is closely related to the Federal project to which the costs are being transferred. For the purposes of this policy, an account is overspent when at the time of the transfer, expenditures exceed funding obligations made by the sponsor.

### **Cost Transfer Deadlines**

Cost transfers should be submitted as soon as the need for the transfer is identified. The deadline is 90 days from the first day of the month following the month in which the charge is first posted in the financial system. Cost transfer requests submitted after 90 days require the approval of both the Principal Investigator and the Division Chair. These requests will be approved only when such requests detail acceptable extenuating circumstances which prevented earlier identification of the need for the transfer or earlier submission of the requests. These requests also must include a corrective action plan that identifies and addresses how the extenuating circumstances can be reasonably prevented in the future.

### **Other Information**

The cost transfer policy does not apply to transfers from a suspense account to a Federal award if the transfer is processed within a month of the date when the cost is first posted.

Transfers between PTAs funded under the same Federal award (based upon the Funding Source Award Number) are considered “intra-award reallocations.” These transactions are not “cost transfers” as that term is used throughout this policy, except as may be required by the sponsor.

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## **ROLES AND RESPONSIBILITIES**

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### **Principal Investigator**

- Ensures that award expenditures are reviewed periodically
- Reviews and certifies cost transfers

### **Division Administration**

- Reviews award expenditures periodically

- Initiates cost transfers in a timely manner, as soon as the cost(s) has been identified
- Provides explanations and justifications required for cost transfers

#### **Division Chair**

- Ensures that high risk cost transfers are reviewed and certified
- Approves high risk cost transfers

#### **Post Award Administration**

- Reviews cost transfers for consistency with this policy
- Approves the cost transfers that are appropriately justified to ensure the transfer is appropriate and is consistent with the requirements of this policy

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### RELATED REFERENCES

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Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR, Part 200

Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, commonly referred to as OMB Circular A-110 or 2 CFR, Part 215

Office of Management and Budget's Cost Principles for Educational Institutions, commonly referred to as OMB Circular A-21 or 2 CFR, Part 220

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### POLICY ISSUED BY

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This policy and procedure is issued by the Office of Financial Services and the Office of Research Administration.

## EFFECTIVE DATES AND UPDATES

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<b>Action Take</b>	<b>Effective Date</b>	<b>Description of Action</b>
Policy and Procedure	November 1, 2005	Approved by the Office of Financial Services
Revised Policy and Procedure	August 1, 2013	Approved by the Office of Research Administration
Revised Policy	December 19, 2014 Issued September 15, 2015	Revised for consistency with Uniform Guidance and to put the document into new policy format. In addition, the procedure portion of the policy was moved into a separate procedure document.  Revised by Post Award Administration. Reviewed by the Office of Sponsored Research, Office of Research Administration.  Approved by the Office of Financial Services.