



Hektoen Institute of Medicine

Cost Transfer Policy

Date Approved: 5/15/2007

I. Purpose.

The purpose of this policy is to outline the principles and requirements for transferring costs to and from sponsored project accounts. In order to comply with federal guidelines and generally accepted accounting principles, it is important to allocate costs to the sponsored project for which they were actually incurred. However, cost transfers may be needed to correct errors in the original charges or for other reasons, such as salary adjustments when the effort certification report differs from the distribution used to charge sponsored project account(s).

II. Definitions.

Cost Transfer: A cost transfer is an after-the-fact reallocation of a cost from one account to another. A cost transfer may be made to or from a sponsored project account.

Retroactive Salary Transfer: The transfer of the salary and/or wages, or a portion thereof, from one sponsored project account to another.

Sponsored Project Account: The financial account that corresponds to a particular sponsored project.

III. Cost Transfers.

A. Timing. A cost transfer should be made as soon as possible after discovering the error, but in any event no later than ninety (90) days after discovering the error.

B. Supporting Documentation. Each cost transfer must be accompanied by supporting documentation, using the attached Cost Transfer Form, that clearly explains why the transfer is being made. The supporting documentation must explain the cause of the error. An explanation stating merely "to correct an error" or "to transfer to correct project account" is not sufficient. In addition, if, due to extenuating circumstances, the cost transfer is made more than ninety (90) days after the error was discovered, the supporting documentation should explain the extenuating circumstances that caused the delay. The principal investigator or other responsible individual must sign the Cost Transfer Form to certify the correctness of the new charge.

C. Impermissible Cost Transfers. Under no circumstances can costs be transferred from one sponsored account to another for purposes of correcting an over-expenditure of the other sponsored account, nor will costs be placed in a sponsored account for the purpose of holding those costs in preparation for transfer to another sponsored account at a later date. Costs

will normally not be transferred more than once. Since the original cost transfer was justified, documented, reviewed, and accepted as appropriate, a second transfer of the same cost is highly suspect and should be unnecessary (except in extraordinary circumstances, such as when a data entry error was made on the original cost transfer).

IV. Retroactive Salary Transfers.

A. Timing. A retroactive salary transfer should be made as soon as possible after discovering the error, but in any event no later than ninety (90) days after discovering the error. In addition, retroactive salary transfers may not be processed for periods for which an effort certification report has already been submitted, unless the retroactive salary transfer adjusts the salary distribution to match the percentages and accounts reported on the effort certification report.

B. Supporting Documentation. Each salary/wage cost transfer must be accompanied by supporting documentation, using the attached Retroactive Salary Transfer Form. Retroactive salary transfers are used only to adjust or transfer salary charges and do not initiate salary payments nor adjust total salary paid. The Retroactive Salary Transfer Form must be submitted with documentation attached showing the accounting entry to be corrected. Retroactive Salary Transfer Forms must be completed with individual payroll items detailed as a separate line on the form.

V. Record Retention.

Documentation of cost transfers and retroactive salary transfers shall be maintained for appropriate time periods in accordance with Hektoen's records retention policies, but in any event will be retained for a minimum of three (3) years from the date of submission of the grant's final expenditure report.

VI. Questions.

Questions regarding this policy or any other questions regarding the cost allocation principles for sponsored projects should be directed to. ***dennis.ronowski@hektoen.org.***

Attachments: Cost Transfer Form
Retroactive Salary Transfer Form

References: NIH Grants Policy Statement, Part II, Subpart A, Cost Considerations, p. 83-84,
December 1, 2003

45 C.F.R. § 74.53