**Cost Transfer Policy**

**Definition of a Cost Transfer**

A cost transfer is a procedure by which a cost originally charged elsewhere is moved to another account in order to allocate the cost properly. It is the expectation of Clark University that Principal Investigators (PIs) understand the importance of regularly reviewing their research accounts and ensuring that allowable costs are charged initially to their appropriate funding sources. It is the PI's responsibility to oversee the financial management of their projects to avoid the need for cost transfers. However, in the cases where cost transfers become necessary, each one must be fully justified with appropriate documentation.

Cost transfers typically may be necessary in the following cases:

- When an error occurred in the original charge including allocation to an inappropriate account or inappropriate allocation of an unallowable cost
- Where the cost benefits more than one sponsored agreement because the work is closely related such that the initial charge could have been made appropriately to the other sponsored account and the justification of the transfer is sufficient
- When pre-award spending appropriate under the guidelines of the [Office of Management and Budget (OMB) Circular A-110](https://www.whitehouse.gov/omb/ circulars/circular-a-110) (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations) occurred and those costs need to be transferred to the sponsored account

Cost transfers are never appropriate in the following circumstances:

- As a cost management strategy or for the convenience of the PI
- To avoid cost overruns or to use unspent funds
- When to do so would conflict with the policies and guidelines established by the OMB and the funding agency

**Cost Transfer Policy and Procedures**

All cost transfers of expenses and/or salaries should be completed immediately after the original transaction (when the charge was posted to the account), and are required to occur within 90 calendar days of the original transaction. The [Journal Entry Transfer Request Form](#) should be completed and signed by the PI and forwarded to Grants Accounting. The PI will need to supply answers to the following questions on the [Journal Entry Transfer Request Form](#) (please enter responses in the Explanation section of the form):

1. Why was this expense originally charged to the account from which it is now being transferred?
2. Why should this charge be transferred to the proposed receiving account?
3. How was the error discovered? What is being done to prevent this from recurring?
4. If this request is being made after the required 90 day window: Why is this cost transfer being requested more than 90 calendar days after the original transaction?

Full explanations are required in the justification and statements such as administrative oversight or did not know how to process the charges should be avoided and may result in the denial of the
transfer request. Departments may be held responsible for charges that are deemed unallowable or not allocable to the sponsored account.

Cost transfers over 90 calendar days will be highly scrutinized and will require the approval of your Department Chair and the Dean of Research. In these cases, the Journal Entry Transfer Request Form should be completed and sent with appropriate documentation to the Office of Sponsored Programs and Research (OSPR) for review and signature by the Dean of Research.

Please note that salary cost transfers require OSPR approval and may require a recertification of the PIs Time and Effort reporting. In these cases, the PI should contact OSPR for approval and to complete this recertification.

Rationale for the Cost Transfer Policy and Procedures

Clark University is responsible for managing all funds in a manner consistent with the standards set by the Office of Management and Budget (OMB), as well as with all applicable guidelines and policies set by the funders. Complete and timely execution and justification of cost transfers is required for direct costs to be considered both allowable and allocable under OMB Circular A-21 (Cost Principles for Educational Institutions). OMB A-21 also states that, Any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

Cost transfers are often reviewed by our auditors as well as by federal agency officials. Frequent, late and/or poorly justified cost transfers, as well as significant and questionable activity toward the end of an award period, could result in the denial of reimbursement and/or could bring the PIs and the University's compliance into question potentially putting the PI and/or the University at risk of administrative and/or financial sanction.

Please address any questions on this policy and related procedures to the Office of Sponsored Programs and Research or Grants Accounting.