

**The University of Alabama**  
**Office for Research and Economic Development**  
**Cost Transfer Policy**

**Policy:**

A cost transfer is a shift of an expense to or from a sponsored project when that expense was previously charged elsewhere. Examples:

- transfer pre-award costs from a departmental Fund
- correction of a clerical error
- reallocation of salary distribution to reflect actual effort

The cost allowability and allocability requirements of Federal Uniform Guidance, 2 CFR 200, necessitate thorough explanation and justification for any transfer of charges to federal awards from other federal, non-federal or University Funds. Allocability requirements do not allow transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns. All federal and non-federal sponsors are sensitive to the risks associated with cost transfers and expect that they also be accomplished in a timely manner (typically within 90 days). The NIH policy on *Cost Transfers, Overruns, and Accelerated and Delayed Expenditures* found in the NIH Grants Policy Statement at <http://grants.nih.gov/grants/policy/nihgps/index.htm> is representative of the perspective of all federal, and most other, sponsors.

**It is never acceptable to charge costs to a sponsored project unless those costs are allocable to that project, even on a temporary basis.**

To ensure compliance with the policies of federal and non-federal sponsors, the University requires that all cost transfers be accomplished in a timely manner and be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge. This is to be accomplished through the following procedures.

**Procedures:**

**Pre-award Costs**

Normally, goods or services must be received during the period of performance if they are to be considered allowable. The period of performance of a Federal award usually starts at execution or within a few weeks of execution. Some awards include approval of pre-award costs; these include Assistance awards subject to Federal Uniform Guidance. **Expenditures made pending receipt of a sponsored award should never be charged to another sponsored project Fund in the interim.**

If there are costs allocable to a project incurred prior to the start-date or receipt-date of the award, the Office for Sponsored Programs (OSP) should be made aware. When approved, a

Grant Fund may be established prior to receipt of the grant in order to alleviate the need to later transfer pre-award costs. The “Advance Spending Authorization” form found [here](#) should be used to request this approval. In any event, OSP should be notified of pre-award costs prior to accepting and signing an agreement so that it can ensure that these costs will be allowed by the sponsor.

Allowable costs incurred during an authorized 90 day pre-award time period that should be transferred to a Grant Fund must be presented to Contract and Grant Accounting (CGA):

- In a timely manner (within 30 days of the department’s receipt of notification from CGA of receipt of the award and establishment of the Grant in Banner).
- In the form of a journal entry with full documentation supporting the move of charges to the appropriate fund. The documentation should state clearly the date, amount, Banner Fund originally charged and any other identifying information for each charge to be moved.
- In conjunction with a written statement from the PI stating that he/she has exercised authority to incur pre-award costs and that the transactions are allowable, allocable and reasonable charges to the Grant.

### **Error Correction**

Transfers of costs to or from sponsored awards that represent corrections of clerical or bookkeeping errors must be made promptly after the error is discovered. The transfers must be supported by documentation including a full explanation of how the error occurred and what steps will be taken to prevent the error in the future and a certification as to the correctness of the new charge by a responsible financial or administrative official of the department. Explanations that merely state the transfer are being made “to correct error” or “to transfer to correct project” is not sufficient.

The written explanation and supporting documentation should clearly address **ALL** of the following:

- Date, amount, Banner Fund originally charged and any other identifying information;
- A description of the goods or services for which the expense is being transferred;
- Why the correct fund was not originally charged;
- Banner Fund to be charged
- Why it is appropriate to charge the Fund to which the expense is being transferred (i.e. how did this benefit the award)

All transfer requests must include a certification by the PI of the Grant/Fund to be charged that the expense is allowable, reasonable and allocable to that Grant/Fund.

Cost transfers will be reviewed and approved by CGA prior to processing.

The “Cost Transfer Request” form can be found [here](#).

**Additional Procedures for Late Cost Transfers:**

A cost transfer is identified as late if it is requested more than 90 days after the expense was originally incurred. Requests for late cost transfers require the same explanation and supporting documentation referenced above. In addition, these requests require **additional justification explaining why the request was not made within 90 days. Late cost transfers must be reviewed and approved by the management of CGA. The signature of the Assistant Vice President for Research is required only when the request is over 90 days late.** If justification and documentation are insufficient, the transfer request will be denied and any expense identified as inappropriately allocated to a Grant will be transferred off of that Grant to voluntary cost share and funded by the department.

**Effort/Salary Distribution Correction**

Please refer to the policies and procedure for Effort Reporting and Certification found [here](#).

**The department with which the grant is affiliated is responsible for appropriately funding any cost transfers which are disallowed due to failure to meet the timing requirements stated above or insufficient justification and documentation. The department is also responsible if any cost transfers are later disallowed during audit.**