



Cost Transfers

May 11, 2023

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Cost Transfer Policy

Policy: What is a cost transfer?

A cost transfer is an after-the-fact reallocation of direct costs, either labor or non-labor, to a sponsored program.

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness. Requests for transfers after 90 days must include sufficient documentation and justification and will be considered on a case by case basis.

BMC counts the 90 days from original postdate for non-salary expenses and from original transaction date (i.e. pay period ending date) for salary expenses in the financial system of record.

Exceptions:

- Moving expenses off a sponsored program onto a discretionary, departmental, or donor-restricted project/cost center
- Moving salary or non-salary charges between posting projects for the same grant or contract
- Moving non-salary charges between expense accounts on same grant or contract

Policy: Timeliness of cost transfers

90 day set by HHS and NIH GPS

- *“Cost transfers to NIH grants by recipients, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered.”* [NIH Grants Policy 7.5 Cost Transfers, Overruns and Accelerated and Delayed Expenditures.](#)
- *“Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO.”* [Sec II pg 43 HHS Grants Policy Statement.](#)
- *“The GMO may review recipient cash drawdowns to determine whether they indicate any pattern of accelerated or delayed expenditures. Expenditure patterns are of particular concern because they may indicate a deficiency in the recipient's financial management system or internal controls.”* [NIH Grants Policy 7.5 Cost Transfers, Overruns and Accelerated and Delayed Expenditures.](#)

BMC Counts 90 days from posting – not “date identified”

Policy Regulatory Basis – NIH GPS

7.5 Cost Transfers, Overruns, and Accelerated and Delayed Expenditures

Cost transfers to NIH grants by recipients, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. 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, consortium participant, or contractor. An explanation 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 2 CFR Part 200.337 and 45 CFR Part 75.364, and must make it available for audit or other review (see [Administrative Requirements-Monitoring-Record Retention and Access](#)). The recipient should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. 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).

The GMO monitors recipient expenditure rates under individual grants within each budget period and within the overall project period. The funding that NIH provides for each budget period is based on an assessment of the effort to be performed during that period and the recipient's associated budget, including the availability of unobligated balances. Although NIH allows recipients certain flexibilities with respect to rebudgeting (see [Administrative Requirements-Changes in Project and Budget](#)), NIH expects the rate and types of expenditures to be consistent with the approved project and budget and may question or restrict expenditures that appear inconsistent with these expectations.

The GMO may review recipient cash drawdowns to determine whether they indicate any pattern of accelerated or delayed expenditures. Expenditure patterns are of particular concern because they may indicate a deficiency in the recipient's financial management system or internal controls. Accelerated or delayed expenditures may result in a recipient's inability to complete the approved project within the approved budget and period of performance. In these situations, the GMO may seek additional information from the recipient and may make any necessary and appropriate adjustments.

Regulatory Basis – HHS GPS

Cost Transfers

Cost transfers by recipients between grants, whether as a means to compensate for cost overruns or for other reasons, generally are unallowable; however, cost transfers by recipients (or subrecipients or cost-type contractors) may sometimes be necessary to correct bookkeeping or clerical errors. Recipients (and subrecipients and contractors) should have systems in place to detect such errors within a reasonable time frame. Untimely discovery of errors could be an indication of poor internal controls.

Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO. The transfer must be supported by documentation, pursuant to 45 CFR 74.53 or 92.42, that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible official of the recipient, subrecipient, or contractor. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. This information need not be submitted to the GMO but is subject to audit. If the transfer affects a previously submitted FSR, a revised FSR must be submitted.

Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, organizations are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. An awarding office also may require a recipient to take corrective action by imposing additional terms and conditions on an award.

Policy: Updates to current policy

New Items

- Over 90 days requires signature of RF director (Executive Director is back-up)
- Clarification on exceptions – CT Forms for cost transfers on discretionary, departmental, or donor-restricted projects/cost centers are not required (*as these aren't Sponsored Projects*).
- Moving costs between posting projects or expense accounts on the same grant or contract also does not require a completed cost transfer form.



New Cost Transfer Forms

Two New Forms

There are 2 types of cost transfers: **Non-Salary Cost Transfers and Salary Cost Transfers.**

[Non-Salary Cost Transfers](#) - If a PI/PD or DA identifies a need for a non-salary cost transfer in the course of regular review, they must complete a cost transfer form with supporting documentation and submit it to their Research Finance Analyst (RFA) for review and approval. The RFA will review the request and its justification and, if it is deemed appropriate, shall complete the transfer.

[Salary Cost Transfers](#) - If a PI/PD or DA identifies a need for a salary cost transfer in the course of regular review, they must complete a cost transfer form with supporting documentation and submit it with their salary allocation change in the payroll system. Their RFA will review the request and its justification and, if deemed appropriate, approve the transfer in the payroll system.

Forms: Non-Payroll Cost Transfer

1. CT form link:

https://www.bmc.org/files/Research/documents/BMC_Non-Salary_CT_Form.xlsx

2. How to complete

- Fill out the Date Submitted and Transaction Post Date. Check one box if the cost transfer is for a transaction posted over 90 days.

Date Submitted:						
Transaction Post Date:						
Is this Cost Transfer over 90 days?		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	

- Fill out the table with the changes

Co	Cost Centers	Posting Project	Expense Account	Credit	Debit	Net Change	
1	10201100	4300371003	542030	\$152.00	\$0.00	-\$152.00	example
1	10201100	4300399001	542030	\$0.00	\$152.00	\$152.00	example
						\$0.00	
						\$0.00	
						\$0.00	
						\$0.00	
						\$0.00	
						\$0.00	
				\$0.00	\$0.00	\$0.00	

Credit must equal Debit

Forms: Non-Payroll Cost Transfer

Questions 1 , 2, and 3 are always required

1. How is this expense allowable and allocable to the project (s)?

Questionable: “This charge belongs to the project”

Acceptable: “It is budgeted under misc. supplies – budget was 20k for the budget period. Dr. X was hired to work 50/50 on the projects between XX and YY. There were changes and the employees time is 100% XX grant.”

2. Why was the original account(s) charged and what caused the situation?

The response should explain why the cost was originally charged to the wrong cost center or project.

Questionable: “Transfer of supplies that were charged to the department cost center in error”

Acceptable: “The research assistant in the lab who ordered the supplies used the wrong project number. He has been instructed to use the correct project number. In the future, all supply orders will be reviewed and approved by an appropriate department administrator prior to submission of the order so that errors can be prevented.”

3. How will this situation be prevented in the future?

The response should describe how processes and procedures will be modified in the department to prevent a similar cost transfer in the future.

Questionable: “Admin will check in with PI more often”

Acceptable: “Admin will review monthly expense reports prior to regular standing meeting with the PI and will note possible expense posting errors on the agenda for discussion.”

Forms: Non-Payroll Cost Transfer

Question 4 is required when the CT is greater than 90 days

4. Why is this cost transfer being requested more than 90 days after the original transaction?

The response should indicate why it took more than 90 days to determine that a cost transfer was necessary.

Questionable:

- “PI was out of office”
- “Admin new to the position”

Acceptable:

- “Contract wasn’t executed until 4 months into the budget period. As a result the posting project was not created until XXX date and we are now only able to allocate these budgeted supplies.”
- “Turn over in administrative staff created gaps in expense review. All projects have been reviewed with the PI to ensure accurate go-forward expense allocation. Contacted Research Operations for training opportunities in expense management.”

Forms: Non-Payroll Cost Transfer

Sign the form: adobe signature or other e-signature acceptable, or attach email approval. Please do not just type in name.

Please print and sign your name:		
Administrator Name	Date	Signature
<i>If the transfer request is over 90 days after the original transaction, the following additional approval is required</i>		
Principal Investigator Name	Date	Signature
Director Research Finance Name	Date	Signature

Red flags

- Over 90 days
 - **RFAs will not accrue expenses for invoices or report expenses to a sponsor without approved final CT form**
- Keep in mind if you request a CT and it is denied the expense **may still need to be removed** from the project
- Vague answers – please use complete sentences
- Large volume of cost transfers: by department, by PI, by admin
 - **CTs are an exception and should not be a common occurrence on every sponsored program**

Support for CT Form - all cost transfers require proper documentation:

- Date of original posting, grant/cost center, \$ amount, etc.
- Copies of invoices, receipts, or purchase orders
- Be prepared to defend the allowability with an auditor

Forms: Salary CT Form

1. CT form link:

https://www.bmc.org/files/Research/documents/BMC_Payroll_CT_Form.xlsx

As the initiator of a Cost Transfer request, i) gather complete supporting documentation, ii) provide the appropriate and complete CT form addressing the **Who, What, When, Where and Why**, iii) and upload the Cost Transfer Form into **Workday**.

2. How to complete

- Fill out the Top Section.
Check box if the cost transfer is for a transaction over 90 days.

Employee Name:		Date Submitted:	
Start Date of New Allocation:		End Date of New Allocation:	
Is this Cost Transfer over 90 days?	Yes <input type="checkbox"/>	No <input type="checkbox"/>	

- Fill out the table with changes.
Make sure original % and new % total 100%.
The Net Change should total 0%

Co	Cost Centers	Posting Project	Original/Current %	New %	Net Change
1	10201100	4300371003	100.00%		-100.00% example
1	10201100	4300399001		100.00%	100.00% example
					0.00%
					0.00%
					0.00%

Forms: Salary CT Form

Questions 1 , 2, 3, and 4 are always required, and question 5 is required for over 90 days

1. **If you are not sure if effort has been certified for the employee**, please reach out EffortReporting@bmc.org

1. Has Effort been Certified for this period? If so you need to request the Effort Certification to be cancelled (Effort can and should be re-run after this adjustment has been processed)	Yes <input type="checkbox"/>	No <input type="checkbox"/>
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2. **How is this expense allowable and allocable to the project (s)?**

Questionable: “To charge a portion of the lab technician’s salary to the project.”

Acceptable: “Transfer 50% of the lab technician’s salary to Dr. X’s project. This individual performed experiments with mice and split his time equally between Dr. X’s NIH project and his NSF project.”

3. **Why was the original account(s) charged and what caused the situation?**

Questionable: “Change of allocation was not processed in time”

Acceptable: “The administrator was informed of a faculty member’s effort distribution change after the deadline for payroll appointments for the January payroll. The faculty member has been requested to communicate changes in effort in a timelier manner in the future in order to avoid such circumstances.”

Acceptable: “The start date of the grant was January 1. However, the project was not established in the accounting and payroll systems until April 15. The PI begin work on the project in January, thus the salary was charged to the department until the project was created in the accounting and payroll systems.”

Forms: Salary CT Form

Questions 1 , 2, 3, and 4 are always required, and question 5 is required for over 90 days

4. How will this situation be prevented in the future?

Questionable: “Move charges timely”

Acceptable: “We have established a monthly meeting with Dr. X and her study team to ensure that more information about the projects is shared timely, which will better ensure that no such errors will occur in the future.”

Acceptable: “The start date of the grant was January 1. However, the project was not established in the accounting and payroll systems until April 15. The PI begin work on the project in January, thus the salary was charged to the department until the project was created in the accounting and payroll systems.”

5. Why is this cost transfer being requested more than 90 days after the original transaction?

The response should indicate why it took more than 90 days to determine that a cost transfer was necessary.

Questionable:

- “PI was out of office”
- “Admin new to the position”

Acceptable:

- “Contract wasn’t executed until 4 months into the budget period. As a result the posting project was not created until XXX date and we are now only able to allocate the budgeted salaries.”
- “Turn over in administrative staff created gaps in expense review. All projects have been reviewed with the PI to ensure accurate go-forward expense allocation. Contacted Research Operations for training opportunities in expense management.”

Forms: Salary CT Form

Sign the form: adobe signature or other e-signature acceptable, or attach email approval. Please do not just type in name.

Please print and sign your name:		
Administrator Name	Date	Signature
<i>If the transfer request is over 90 days after the original transaction, the following additional approval is required</i>		
Principal Investigator Name	Date	Signature
Director Research Finance Name	Date	Signature

Red flags

- Transfers occurring over 90 days from the original charge
 - **RFAs will not accrue salary without the costing allocation in WD or BU Works approved**
- Keep in mind if you request a CT and it is denied the salary must still be removed from the project
- Vague answers
- Large volume of cost transfers: by department, by PI, by admin
- Timing: near the end of the award/budget period, near the end of the fiscal year
- Cost transfers over 90 days should be avoided. They raise concerns with reliability of the institution's accounting system, internal controls and management capabilities.

Support for CT Form

- Cost allocation methodology, if an expense is being split between more than one account.
- Related email correspondence
- LDR outlining charges

Forms: Salary CT Form

Reminders:

1. Answer the 5 questions accordingly with complete sentences
2. Must be well documented and adhere to cost principles: allowable, reasonable, allocable, and consistent
3. Provide supporting documentation that provides sufficient information to allow for a clear audit trail.
4. A Cost Transfer **is not** a means to temporarily post costs on a sponsored budget until a budget number becomes available
5. A Cost Transfer **is not** a financial management tool to be used to move costs for budgetary convenience
6. For late issuance of an award or full execution of an agreement or subcontract after the start of the budget year or other period of performance. Supporting documentation is required. SPA recommends that a pre-notification account set up for guaranteed awards.
7. Late revisions can impact final invoices, final FFRs, and effort reporting

Examples of Unallowable Circumstances for Late Cost Transfers:

1. At no time should sponsored projects be used for expenses that will subsequently be transferred elsewhere.
2. **Cost transfers that are made only for the intention of spending down sponsored project funds or as a matter of convenience are not allowed.**



Cost Transfer Request and Approval Process

SOP: Payroll CT



How to get RF Director signature for over 90 days - RF will review CT attached to allocation, If determined to be past 90 days will review all fields for accuracy and then forward to RF Director for final review/approval.

What RF team reviews for – All fields are filled out. The answers to the questions are in complete sentences and are relative to this particular transfer (avoid cookie cutter answers). The necessary signatures. Has Effort been taken into consideration?

SOP: Payroll CT

How to submit the form– Attach completed form to an allocation in Workday

Include Existing Allocations

From 05/02/2023 To (empty)

Copy Costing Allocation

Start Date * 05/02/2023 

End Date MM/DD/YYYY 

Default Organizational Assignments (As of Start Date)

Cost Center: 1.1 

Costing Allocation Attachments

Drop files here

or

Select files

SOP: Non-Payroll CT

How to submit – Attach form to an email directed to your assigned RFA

Overall process - If a PI/PI or DA identifies a need for a non-salary cost transfer in the course of regular review, they must complete a cost transfer form with supporting documentation and submit it to their Research Operations financial analyst (RFA) for review and approval. The RFA will review all fields are filled out. Accuracy (dates, etc.), the necessary signatures. The answers to the questions are in complete sentences and are relative to this particular transfer. If the transaction is over 90 days, the RFA will forward to RF Director for final review/approval.

When will transfers post?





Best Practices

Best Practices

- Budget carefully
 - Allocate salary in advance based on awarded budget
 - Request POs for budgeted non-salary costs
- Allocate expenses promptly
- The department administrator should monthly:
 - Retrieve and review grant reports (Labor Distribution Report)
 - Verify that posted charges are allowable, allocable and appropriate
 - Identify any additions or deletions
 - Initiate prompt transfers for errors/corrections
- Request “prenotification”/pre-contract projects to allocate expenses while waiting for fully executed agreements
- Never use a CT to spend down an grant or contract



Risks and Audits

Risks and Audits

NIH does its own monitoring of spending

- Inconsistent spend rates can lead to audits/desk reviews
- Late spending can lead to decreases in funding for non-competing segments

Cost Transfers are tested during Single Audit

- Testing required per annual Compliance Supplement
- Poorly documented or unallowable CTs will result in audit findings:
 - BMC must pay back the sponsor for any questioned costs
 - Leads to additional testing
 - Could potentially lead to more external audits
 - Federal audit findings are public (sponsor website, industry newsletters, other media) and can impact BMC's reputation and lead to loss of future funding
 - Can lead to increased administrative burden and loss of expanded authorities for Federal grants



Resources

Resources

- Policy link - [Sponsored Program Cost Transfer v.2 \(policytech.com\)](https://policytech.com)
- CT Form links can be found here - [Research Operations Forms | Boston Medical Center \(bmc.org\)](https://bmc.org)
- NIH GPS – [7.5 Cost Transfers, Overruns, and Accelerated and Delayed Expenditures \(nih.gov\)](https://nih.gov)
- Pre-notification Account Request Form - <https://hub.bmc.org/doc/pre-notification-account-request-9>
- NCURA - short training videos
 - Cost Transfer Basics: <https://youtu.be/3d9RHHVvcRzg>
 - Red Flags/Concerns: <https://youtu.be/Zt7Q67xATXk>
 - What to look out for when doing cost transfers: <https://youtu.be/HaIOpnqwMWg>
 - Cost Transfer Scenario: https://youtu.be/gE3I1_7Q5i8
 - Cost Transfer Areas to be Mindful: <https://youtu.be/veNxusxhc9I>