



# PROCEDURE FOR COST TRANSFERS TO FEDERALLY FUNDED AWARDS

October 19, 2015

---

## SCOPE

---

This procedure describes the steps required to process cost transfers to federally funded awards in accordance with Caltech's "Policy for Cost Transfers to Federally Funded Awards." The definitions of terms in the Cost Transfer Policy apply to this procedure.

---

## PROCEDURE

---

Cost transfers are categorized as either labor or non-labor. Cost transfers are also categorized as "low risk" or "high risk." Most cost transfers, both labor and non-labor, are processed on-line, using the Cost Transfer System that is available through [access.caltech](http://access.caltech). Cost transfers are initiated by Division Administration and then are reviewed, approved, and processed by Post Award Administration.

Cost transfers to Federal awards are considered to be "low risk" if they are made within 90 days after the first of the month following the month in which the expense was incurred, or do not involve moving expenses from an overspent account to a Federal award. Low risk cost transfers require approval by the Division. In addition, some low risk cost transfers may require approval from other departments, depending on the source of funds. For example, a cost transfer to or from a gift PTA requires approval from the Controller's Office.

Cost transfers are considered to be "high risk" if they are made more than 90 days after the first of the month following the month in which the expense was incurred, or the transfer is made from an overspent Federal award to another Federal award. High risk cost transfers require the Principal Investigator's review and certification and also require approval by the Division Chair before the cost transfer can be routed to Post Award Administration.

### **Examples of "Extenuating Circumstances" that Might Justify a Cost Transfer in excess of 90 days**

- Late issuance of the documentation necessary to establish a new PTA for reasons beyond the control of the requestor, such as late issuance of an award by a funding agency. Justification and support will be reviewed on a case-by-case basis.
- Failure of another department to take action when supporting documentation had been properly submitted. Original or copy of supporting documentation will be required.
- Transfer of expenditure from an unrestricted account to a Federal award when the latter was not in place when the expense was initially incurred.

- Service center (WIC) charges allocated to the award more than 90 days after the charges were incurred.
- Costs are associated with one or more closely-related sponsored award PTAs.

Note, the Office of Sponsored Research recommends a Pre-Award PTA be established whenever possible. This can be done at the request of the Principal Investigator when a project must start before the award documents have been received from the sponsor and the PTA has been set up. The following are required in order for the Pre-Award account to be established:

- Approval of the Division.
- Identification of an unrestricted “back-up” account that can be used to cover costs in the event that the anticipated award does not materialize.

This Pre-Award PTA becomes the Active PTA upon receipt of the award documentation and funding and cost transfers will not be required.

**The following are examples of “Extenuating Circumstances” that will not be accepted as adequate justification for approving a Cost Transfer**

- Absences of the PI or Cognizant Administrator and/or shortage or lack of experience of the staff administering the awards.
- The use of federally funded sponsored accounts as holding accounts for expenditures that will subsequently be transferred elsewhere.

**Non-Labor Cost Transfers**

Non-labor cost transfers are processed through the Cost Transfer System. Responses to the following questions are required:

- Why was this expense originally charged to the account from which it is now being transferred?
- Why should the charge(s) be transferred to the proposed receiving account, i.e., how does the receiving account benefit and why are the charges allowable and allocable?

For high risk cost transfers, in addition to the two questions listed above, the request must include responses to the following:

- Provide any additional information to support the transfer of costs from an overspent award.
- Why is this cost transfer being initiated more than 90 days after the first day of the month following the month in which the charge was first posted in the financial system?
- What corrective action has been taken to eliminate future need for cost transfers of this type? An adequate corrective action plan should include an analysis of how the problem requiring a cost transfer occurred as well as a description of the controls that will be put in place to ensure that the problem does not occur again.

High risk cost transfers must be certified by the Principal Investigator and approved by the Division Chair.

## **Labor Cost Transfers**

Low risk labor cost transfers are processed directly through the Labor Distribution system. These transactions, known as Labor Distribution Adjustments (LDAs), are reviewed, approved, and processed by the Labor Distribution Unit in Payroll.

The LDA form should include the name and title of the reviewer and the approver of the request, the reason why the labor expenses were charged to the original award, an indication that the costs are allowable under the terms of the receiving award, and how the expenses benefit the receiving award.

High risk labor cost transfers are processed through a two-step process. The cost transfer request is initially submitted as an LD request through the LD module. If the cost transfer meets the criteria for high risk, the cost transfer must be submitted using on-line Cost Transfer System and must include responses to the five items listed under Non-Labor Cost Transfers. In addition, high risk labor cost transfers must also be certified by the PI and approved by the Division Chair.

Post Award Administration will review, approve, and notify the Labor Distribution Unit when the transfer has been approved for processing the LDA. The actual processing of the LDA is done by the Labor Distribution Unit in Payroll.

If the labor cost transfer impacts a completed Payroll Distribution Confirmation (PDC) report, Post Award Administration may require additional information, including re-certifying PDC.

---

## **ROLES AND RESPONSIBILITIES**

---

### **Principal Investigator**

- Reviews and certifies high risk cost transfers using the online Cost Transfer System.

### **Division Administration**

- Initiates the cost transfer using the online Cost Transfer System.
- Provides explanations and justifications required for cost transfers to be approved.

### **Division Chair**

- Approves high risk cost transfers.

### **Post Award Administration**

- Reviews and returns, rejects, or approves and processes all non-labor cost transfers.
- Reviews all high risk labor cost transfers and forwards approved transfers to the Labor Distribution Unit for processing.

### **Labor Distribution Unit in Payroll Department**

- Directly processes low risk Labor Distribution Adjustments.
- Processes high risk Labor Distribution Adjustments after receiving approval from Post Award Administration

## RELATED REFERENCES

---

---

Caltech Policy for Cost Transfers to Federally Funded Awards

OMB'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

## PROCEDURE ISSUED BY

---

---

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

## EFFECTIVE DATES AND UPDATES

---

---

<b>Action Take</b>	<b>Effective Date</b>	<b>Description of Action</b>
New Procedure	Effective December 26, 2014  Issued October 19, 2015	This procedure is being issued as a separate document for the first time. It is intended to be used in conjunction with the Caltech Policy for Cost Transfers to Federally Funded Awards.  Reviewed by the Office of Research Administration, and the Office of Financial Services. Approved by the Associate Vice President, Finance