

# Cost Transfers on Cost Reimbursable Grants and Contracts

SPA-11-003

## About This Policy

**Effective Dates:**

03-01-2011

**Last Updated:**

12-31-2020

**Responsible University Administrator:**

Associate Vice President for Research

**Policy Contact:**

Steve Martin

Associate Vice President for Research Administration

## Scope

This policy applies to all [cost transfers](#) on cost reimbursable federal and federal pass-through sponsored project awards.

## Policy Statement

1. Indiana University has charged fiscal officers with the responsibility for conducting monthly account reconciliations of transactions ([Role of Fiscal Officer, Account Manager and Account Supervisor, FIN-ACC-1](#)). Fiscal officers and principal investigators (PIs) should regularly review all expenditures allocated to sponsored awards to ensure that expenditures are allowable, allocable, reasonable and necessary. Cost transfers should be accomplished in a timely manner and must, in all cases, include an appropriate justification to ensure their allowability and allocability.
2. For all federal and federal pass-through sponsored awards, all [cost transfers](#), including corrections to salary costs, must be received by ORA for review within three months following the month in which the cost was first incurred. Any cost transfers completed after this three-month period will be considered late cost transfers and are subject to additional procedures identified in this policy. All cost transfers must be appropriately justified and must include an explanation of the error that necessitated the correction and a justification of how the expenditures benefited the sponsored project. Costs incurred prior to the receipt of an anticipated grant or contract award should be charged to an Advanced Account as stipulated in University Policy [Requests for Advanced Accounts, SPA-11-017](#).

## Reason For Policy

This policy has been adopted to ensure appropriate fiscal internal controls as required by Office of Management and Budget (OMB) regulation 2 CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," which governs expenditures allocated to federal and federal pass-through cost-reimbursable grants and contracts conducted at Indiana University.

## Procedure

1. Cost transfers should be completed using the appropriate KFS financial document:
  - General Accounting Adjustment (GEC)
  - Distribution of Income and Expense (DI)
  - Salary Expense Transfer (ST)

- Benefits Transfer (BT).
2. All cost transfer documents should include the following supporting documentation:
    - The prior financial transaction document number
    - A cost transfer justification that addresses the following:
      - Why was the expense originally charged to the account from which it is being transferred?
      - How does this expense benefit or relate to the scope of work of the receiving account? Describe in detail the expense and its relationship to the project.
  3. A DI may be used when non-salary cost transfers involve a large number of individual transactions. All DIs must meet the criteria identified in Paragraph B. above and must include an attachment with a detailed listing of the specific transactions associated with the DI. The attachment should include transaction amounts, the date that each transaction was incurred on the account being transferred from, and financial document numbers.
  4. Any proposed transfers of expenditures to federal cost reimbursable awards where the cost transfer document is received by ORA more than three months after the month in which the cost was incurred will be deemed a **Late Cost Transfer (“LCT”)**. Units may seek an LCT for expenditures of more than \$500 of direct costs.
    - Fiscal Officers (or their delegates) seeking an LCT must complete and submit the **Cost Transfer Exception Request Form** to the ORA Cost Exception Committee for consideration.
    - An LTC proposing a transfer of direct costs of \$500 or less will be denied without further review.
    - Determinations by the Cost Exception Committee may not be appealed, so the requester must ensure that the form includes all pertinent information. ORA will notify the requester of the Committee’s decision.

## Definitions

**Cost Reimbursable Award:** An award in which the sponsor agrees to fund all approved project costs incurred within a grant or contract.

**Cost Transfer:** Any transfer of an item of cost after it has been fully routed and approved in the Kuali Financial System (KFS). This includes transfers of expenditures between accounts and/or subaccounts in KFS, or between expense classifications (KFS object codes).

**Late Cost Transfers (LCT):** Any proposed transfers of expenditures to federal cost reimbursable awards where the cost transfer document is received by ORA more than three months after the month in which the cost was incurred.

## Sanctions

Failure to adhere to the principles and processes in this policy may result in the disallowance of costs and cost transfers.

## History

Previous Versions:

- **Effective Dates:** March 11, 2011 through September 21, 2016
- **Effective Dates:** September 21, 2016 through January 30, 2020
- **Effective Dates:** January 30, 2020 through December 31, 2020

## Related Information

[ORA Uniform Guidance Page](#)

[IU Policy: FIN-ACC-I-1 Role of Fiscal Officer, Account Manager and Account Supervisor](#)

[IU Policy: SPA-11-017 Requests for Advances Accounts](#)

**Related Forms**

[Cost Transfer Exception Request Form](#)