PURPOSE: This policy is issued to promote the integrity of all charges transferred to and/or from a sponsored project subsequent to the initial recording of the charge in the accounting system. Proper management of funds is essential to uphold the fiduciary responsibilities of Meharry Medical College. Federal agencies and other sponsors may regard the following activities as indicators of inadequate control systems:

- Frequent cost transfers
- Late cost transfers
- Inadequately documented or explained cost transfers

This policy explains why the need for a cost transfer arises, the requirements for allowing a cost transfer, and the method for processing cost transfers through the accounting system.

POLICY STATEMENT: It is the policy of Meharry Medical College that costs should be charged to the appropriate sponsored project when first incurred, however there are circumstances in which it may be necessary to transfer expenditures to and/or from a sponsored project after the original recording of the charge in the accounting system.

- Meharry is committed to ensuring that all cost transfers (both salary and non-salary charges) are legitimate and are in compliance with institutional policy, Federal regulations, and sponsor specific guidelines.

- Principal Investigators are ultimately responsible for compliant charging of expenses to his/her award. All PIs and their administrators should review expenditures on a timely basis, and certify that transfers of costs to sponsored projects which represent corrections of errors are made promptly upon discovery.
- Cost transfers must be supported with detailed written explanations of how the error occurred and why the charge should be transferred to the proposed sponsored project. (see Sample Documentation section for permissible justification)

- Cost transfers should not be used as a means of managing awards. Office of Management and Budget Circular A-21 explicitly states that expenses "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."

- All cost transfers should be processed promptly after the error is discovered. Cost transfers occurring 90 days after the date of the original charge will be considered untimely cost transfers. Untimely cost transfers may raise serious questions concerning the appropriateness of the cost transfer, may only be approved in the case of exceptional circumstances, and will require additional justification and increased approval from central administration. (See Timeliness section for more detail).

- Cost transfers to remove incorrect or otherwise unallowable charges from a sponsored project must be completed regardless of the timeframe.
DEFINITIONS: A cost transfer is an after-the-fact reallocation of costs recorded in the accounting system, either salary or non-salary, to a sponsored project.

Some examples of typical reasons for cost transfers to be allowed include:
- Correction of a clerical error;
- Reallocation of expenses where multiple projects benefited;
- Reallocation of shared resource costs;
- Reallocation of a salary expense.

Cost transfers are NOT appropriate to:
- Reduce overruns on other restricted or institutional funds;
- Avoid restrictions imposed by law or by the terms of the agreement;
- Utilize unexpended balances; or
- Charge expenses of no or insignificant direct benefit to the grant or restricted fund.

FEDERAL GUIDANCE

Per the US Department of Health and Human Services (DHHS):

"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."

Per the National Institutes of Health (NIH):

"Cost transfers to NIH grants by grantees, 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 grantee, consortium participant, or contractor."
PROCEDURE:

The Appropriate Fund Should be Charged Initially:
Meharry Medical College expects that all costs charged to a sponsored project are charged correctly at the time of the original purchase when possible to avoid unnecessary cost transfers. Principal Investigators and their department administrators are expected to make payroll distribution determinations, and process a Labor Distribution Form with updated distributions before an individual devotes effort to the project. It is sometimes necessary for costs to be incurred before the award document has been received by the institution. When appropriate, Advance Funds will be utilized in order to avoid cost transfers due to late award set-up. Advance Funds are addressed in greater detail in the Advance Fund policy and procedure document.

Monthly Financial Reports Should Be Reviewed Regularly to Facilitate Timely Discovery of Errors:
A departmental administrator must provide the Principal Investigator with monthly financial reports for each of his/her sponsored projects and assist the PI in reviewing these reports. The reports that will be used to review both salary and non-salary expenditures are:

- NHIDIST – report run in Banner by FOAPAL that includes salary information, wage information, and benefits information charged to the FOAPAL year to date.
- FGIBDST – report in Banner that can be run by FOAPAL to see the YTD expenditures by budget category. Individuals can run FGITRND to obtain detailed transaction information.

The monthly review will enable the PI to identify legitimate errors in a timely manner, and complete necessary cost transfer forms immediately. It is critical that all sponsored project expenditures be reviewed on a regular basis to ensure that both salary and non-salary charges are correct and appropriate.

Timeliness:
A cost transfer should be processed promptly after the error is discovered. Untimely cost transfers raise questions concerning the propriety of the transfer. A cost transfer is considered “untimely” when it is not processed within 90 days of the initial recorded charge. Meharry Medical College has implemented a review and approval process for untimely cost transfers. In the case that an error is discovered more than 90 days from the initial recorded charge, the
following approvals and justifications are necessary in order for it to be processed.

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Approval</th>
<th>Justification</th>
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| < 90 days | • PI signature (e-mail is acceptable)  
• Department Chair  
• Dean  
• Post-Award Office  
• Grants & Contracts Director | • Why was expense originally charged to the project from which it is being transferred?  
• Why should the charge be transferred to the proposed receiving project?  
• Have you certified effort for the quarter in which the transfer occurs? |
| > 90 days | • PI signature (e-mail is acceptable)  
• Department Chair  
• Dean  
• Post-Award Office  
• Grants & Contracts Director  
• Controller | Same justification for CTs < 90 days, but additionally:  
• Why is the cost transfer being made more than 90 days following the original date of the transaction?  
• How was the error discovered, and what corrective action is being taken to eliminate future CTs of this type? |

In all cases, an unallowable expenditure must be removed from a federally sponsored project, regardless of timeframe.

**Procedure to Request Cost Transfers:**
In order to process a cost transfer on a sponsored project, a Salary Cost Transfer Form or Non-Salary Cost Transfer Form must be completed and returned to the Grants and Contracts Office. All cost transfers must be supported by documentation that fully explains the reason for the error. An explanation stating that the transfer was made "to correct an error" or "to transfer to correct project" will not be sufficient. More detailed explanation will be required for those transfers discovered more than 90 days after the original charge.