



Cost Transfers for Sponsored Research Programs

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Office of Research
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I. Policy Summary

This policy establishes NJIT’s policies and procedures for the reallocation of direct charge expense related to either salary or non-salary transactions from one project account to another after the charge has been posted in NJIT’s financial accounting records.

II. Policy Purpose

The purpose of this Policy is to:

- Ensure proper financial accounting, reporting and compliance with applicable federal and non-federal Sponsor policies and guidelines.
- Provide specific guidance on the timeliness, accountability, allowability, documentation and authorization requirements for cost transfers at NJIT.

III. Policy Scope and Applicability

This policy applies to all Sponsored Research Programs conducted at or under the auspices of NJIT. While significant attention is placed upon transfers directed to federally-funded Sponsored Projects, this policy will be administered consistently across all funds and project accounts managed within the Office of Research.

This policy is also applicable to both personnel and non-personnel type of cost transfers including recasts.

IV. Definitions

A. “NJIT” includes all NJIT Colleges, Departments, Centers and all entities that are controlled by any of them, except where specifically excluded.

B. “Cost Transfer” means a reallocation or movement of allowable costs from one Sponsored Project to another Sponsored Project after the charge has been posted in the financial accounting records OR from/to a Sponsored Project to/from an institutional/discretionary account after the charge has been posted in the financial accounting records.

C. “Allowable Costs” means those costs that can be charged against a Sponsored Project pursuant to NJIT’s *Policy on Charging Direct Costs to Sponsored Research Programs*. To be an Allowable Cost, the cost must be (*Please see CFR 200 Subpart E – Cost Principles*):

- i. Reasonable - The cost must be necessary for the performance of the Sponsored Project and reflect the action that a prudent person would have taken.

- ii. Allocable - The cost can be identified specifically with the Sponsored Project(s) in reasonable proportion to the benefit provided or other equitable relationship.
- iii. Consistently Applied – All costs incurred for the same purpose, in like circumstances, must be treated consistently as direct costs only or F&A costs only. Particular types of costs must always be treated as direct costs or F&A costs for all Sponsored Projects.

D. “Direct Costs”, as defined in NJIT’s *Policy on Charging Direct Costs to Sponsored Research Programs*, means those costs that can be identified specifically with a particular Sponsored Project relatively easily and with a high degree of accuracy. Examples of Direct Costs include salaries and fringe benefits of faculty and technical staff working on a Sponsored Project, equipment and laboratory supplies, travel, subcontract costs, and service center charges.

E. “Facilities and Administrative Costs” or “F&A Costs” or “Indirect Costs”, as defined in NJIT’s *Policy on Charging Direct Costs to Sponsored Research Programs*, means those costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular Sponsored Project, instructional activity or other institutional activity. Examples of F&A Costs include costs associated with the depreciation of NJIT’s buildings and equipment, operational expenses, maintenance expenses, general administration expenses, and departmental administration expenses.

F. “NJIT Award” means a formal written grant, contract or agreement made between NJIT and a Sponsor to perform a Sponsored Project. The NJIT Award provides important guidance for managing the Sponsored Project and must be closely reviewed by the principal investigator, the administrator, ambassador and personnel in the Office of Research.

G. “OMB Uniform Guidance” means The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the Uniform Guidance), 2 CFR 1, Chapter II, Part 200, et al.

H. “Principal Investigator” means NJIT’s principal investigator on the Sponsored Project.

I. “Sponsor” means a federal, state or local government agency, foundation, or private organization that is providing financial support of a Sponsored Project.

J. “Sponsored Project” means an externally funded activity conducted at or under the auspices of NJIT that is governed by specific terms and conditions. Sponsored Projects are usually separately budgeted and accounted for. Sponsored Projects may include projects funded for research, training, education, and other NJIT purposes.

V. Policy Statement

A. Timeliness. All Cost Transfers across Sponsored Projects, including journal vouchers, must be done timely way. It is always preferable to charge costs to the correct Sponsored Project when the costs are incurred. However, Cost Transfers are sometimes necessary to correct errors, transfer pre-award costs to a grant subsequent to the formal award notification, and remove an unauthorized cost overrun during the grant closeout process.

B. General Principles. To be an allowable and justifiable Cost Transfer, the transfers **must be:**

- Managed in a timely manner
- In conformity with NJIT and Sponsor allowability standards
- Fully documented, and
- Authorized by the designated officials

Specific requirements regarding timeliness, allowability, documentation, and authorization are identified below along with implications in the event of non-compliance:

C. Timeframes for Cost Transfers: Standard 90 Days. A Cost Transfer should be initiated as soon as the need for a Cost Transfer is identified, and as stated in the federal regulations, within 90 days of the need for a transfer being discovered. The timeliness of Cost Transfers is an important aspect in determining its appropriateness. A Cost Transfer request that is not made in accordance with the timeliness requirements set forth below will not be approved:

1. If a Cost Transfer request resulting from a review of a time and effort report and the discovery of a need to modify charges to Sponsored Projects or the level of effort reported, the due date for processing the Cost Transfer is within the 30 days from when the certified effort report is due.
2. If the monthly or quarterly review of the award results in the discovery of a cost to be moved, the due date for processing the Cost Transfer is 90 days from the discovery of the transaction.

Cost Transfer requests must be received by the post-award grant management unit no later than 90 days after the need for transfer is identified.

For purposes of this Section V.C. and the timeliness of the Cost Transfer request, the process date is the date the request for a Cost Transfer is received by post-award management.

A Cost Transfer that transfers prior fiscal year expenses onto a Sponsored Project is not permitted beyond the established deadlines provided as part of the fiscal year end schedule, which may be under the 90 days period. At fiscal year end, any cost transfer must be completed by these deadlines to be included as part of the prior fiscal year. This restriction does not apply to the transfer of expenses off of a Sponsored Project to a discretionary account.

D. Late Cost Transfers. A Cost Transfer that is required after the 90-day period set forth in Section V.C. above is considered a late Cost Transfer under this Policy. For any late Cost Transfer, more stringent guidelines for processing the Cost Transfer by the federal government or other Sponsors must be met. The supporting documentation provided by the Principal Investigator for the Sponsored Project or the Administrator (or designee) must include, in addition to the explanation and justification for the Cost Transfer, a valid explanation of why the Cost Transfer is late. The Cost Transfer also may require an explanation of the corrective actions that have been taken to mitigate any errors from reoccurring.

E. Exceptions to Timeliness. The 90-day period set forth in Section V.C. above does not apply in the following circumstances except if these are related to prior year expenses as indicated in Section C.3.:

1. The transfer of allowable and allocable expenses from an approved Sponsored Project to an institutional (operating) or discretionary account.
2. The transfer of allowable and allocable costs charged to an institutional account as pre-award costs to a Sponsored Project, provided the Cost Transfer is requested within the 90 day pre-award cost condition.
3. The transfer of allowable and allocable costs charged to an institutional account prior to the receipt, authorization, and set up of the award for the Sponsored Project. An advance account may be considered in these circumstances to avoid the need for a cost transfer. Information

about the establishment of advance accounts is set forth in NJIT's *Advance Account Policy on Sponsored Research Programs*.

Exceptions to timeliness should be rare. The Principal Investigator for a Sponsored Project and the Department Administrator (or designee) should engage in regular monitoring and reconciliation of Sponsored Projects on a monthly (no less than quarterly) basis to ensure all expense allocations are appropriate and allowable.

F. Allowability

All Cost Transfers across Sponsored Projects must meet NJIT and Sponsor allowability cost principles/standards and must be allocable to the NJIT Award to which the Cost Transfer is applied.

1. Examples of Cost Transfers that may be allowable include:

- a. Error Correction – Examples of errors include clerical errors (e.g., typographical errors or transposition of account digits) or errors detected upon review of financial reports such as a payroll distribution that had not been updated or a charge allocation to a Sponsored Project was inappropriate or inconsistent with the scope and use of the item(s) purchased on the applicable NJIT Award to which it was originally charged. All errors must be corrected as soon as they are detected. In addition, as proved in Section V.G. below, a Cost Transfer request to correct an error will require an explanation of the corrective actions that have been taken to mitigate such errors from reoccurring.
- b. Pre-award costs – Costs incurred prior to receipt, authorization and setup of an award. Note: An existing sponsored project index may not be used as a holding account for pre-award costs on a pending award under any circumstances.
- c. Costs Benefiting More than One Project - If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to the benefited projects on any reasonable documented basis.
- d. Continuation of a Sponsored Project or Program – If the continuation has another index and the expenses are in the initial index, these may be legitimately moved to the continuation award in accordance with the terms of the new award.

2. Cost Transfers for Sponsored Project activities are **not allowed** in the following circumstances:

- a. Overdrafts - Unless clearly stated in the agency guidelines or NJIT Award, Cost Transfers from one Sponsored Project to another solely to cover an anticipated overrun are not allowable. Overdrafts must be transferred into discretionary accounts or institutional accounts (operating) if funds are available.
- b. Unexpended Balances – Cost Transfers solely to eliminate unexpended balances at the close of a Sponsored Project are not allowable. Unexpended balances at the close of a Sponsored Project may need to be returned to the Sponsor, which is contingent on specific agreement language. See NJIT's *Policy on Residual Fund Balances for Fixed Price Awards*.
- c. Holding Accounts. An existing Sponsored Project account must never be used as a holding account for any pre-award costs prior to the receipt, authorization, and set up of an

anticipated new award for a Sponsored Project. Cost Transfers from one Sponsored Project account that appears to have been used as a holding account for an anticipated new award are not allowable. Instead of using an existing Sponsored Project account as a holding account, the Principal Investigator should establish an advance account. Information about the establishment of advance accounts is set forth in NJIT's *Advance Account Policy on Sponsored Research Programs*.

Overall, a cost transfer must be avoided as a cost management strategy or other matters of convenience.

Post-Award Management has full authority to request more information or to reject the recording of a cost to a grant fund if there is inadequate evidence to support the allowability of the cost. In this case, the cost must be recorded to a departmental or University fund.

G. Documentation/Explanation

1. The Principal Investigator for a Sponsored Project and the Administrator (or designee) must support each Cost Transfer request through documentation that contains a full explanation and justification for the Cost Transfer. Cost Transfer documentation must include support for the original transaction, such as related purchase order, vendor, amount employee name and ID number, effort impact/calculation, payroll history and general ledger report. The Principal Investigator, Administrator (or designee), must submit all Cost Transfer documentation. Any labor cost transfers may require review and approval by the pre-award services unit in addition to post-award management.
2. If the purpose of a Cost Transfer is to correct an error, the Principal Investigator for a Sponsored Project and the Administrator (or designee) must provide a detailed explanation for the error. An explanation that states without further detail that the Cost Transfer is requested to "correct an error" is not sufficient. The explanation must indicate why the original entry was incorrect and how the error occurred. In addition, for a Cost Transfer to be approved, the Principal Investigator for a Sponsored Project and the Administrator (or designee) must explain corrective actions that have been taken to mitigate the error from reoccurring.
3. With the exception of Sponsored Projects with an Advance Account, for any Sponsored Project with a fund in deficit, Cost Transfers may not be initiated to move expenses onto the Sponsored Project until the Principal Investigator and the Administrator (or designee) have completed a cost reconciliation and removed the deficit. Projects with an Advance Account are subject to the requirements outlined in NJIT's *Advance Account Policy on Sponsored Research Programs*.
4. Late Cost Transfer requests may require additional documentation. See Section V.D. above.

H. Authorization/Approval

1. The Principal Investigator for a Sponsored Project must approve each Cost Transfer affecting the Sponsored Project. The Principal Investigator may delegate approval authority provided that the delegate has knowledge of the program scope and activities. The proper delegation of authority form must be completed and retained on record with the post award management unit.

2. In cases where the transfer is occurring between funds with different owners, the NJIT official with responsibility overseeing the fund must give authorization to affect his/her fund on the cost transfer as well.

VI. Roles & Responsibilities

- A. Principal Investigator (or designee)** – Initiates the Cost Transfer request and detailed explanation for the Cost Transfer and provisions of the documentation contemplated by Section V.G. above. PI must approve each request for Cost Transfers.
- B. Post Award Management** – Responsible for final approval of Cost Transfers and for processing necessary entries to satisfy each Cost Transfer request.

VIII. Authority and Responsibility

The Office of Research has institutional authority for the matters addressed in this policy. Questions related to this policy are to be directed to the executive director, sponsored research programs administration.

Related Policies and Regulations

Policy on Charging Direct Costs to Sponsored Research Programs

Policy on Time and Effort Reporting and Certification

Advance Account Policy on Sponsored Research Programs

Policy on Residual Fund Balances for Fixed Price Awards

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also commonly called the Uniform Guidance)

[NIH Grant Policy Statement, Part II-35](#)

[NSF Grant Policy Statement, Chapter III, Section 320](#)