COST TRANSFER FOR SPONSORED PROGRAMS POLICY

1. PURPOSE:

With the purpose of complying with the cost allowability and allocability requirements of OMB Circular A-21, it is necessary to explain and justify transfers of charges into federal awards from other federal accounts, non-federal accounts or SUAGM accounts (including transfers from a departmental cost share fund to a sponsored project fund). The timeliness and completeness of the explanation of the transfer are important factors in supporting allowability and allocability in accordance with the principles of this Circular.

2. AUTHORITY:

Vice-President of Financial Affairs
Assistant Vice-Presidency of Sponsored Programs Financial Management
Accounting Office

3. POLICY STATEMENT:

SUAGM has established the following policy and procedures for the processing of cost transfers to comply with the requirements of OMB Circular A-21, the policy of SUAGM and the requirements of other sponsors agencies.

4. DEFINITIONS:

AUTHORIZED SPONSORED PROGRAM FINANCIAL MANAGEMENT REPRESENTATIVES:
- Assistant Vice-President SPFM
- Director SPFM
- Compliance Director SPFM

DEPARTAMENTAL ADMINISTRATION- refers to the unit where the project is designated.
COST TRANSFER- A cost transfer is a transfer to a federally funded sponsored account of a charge previously recorded elsewhere in the SUAGM General Ledger.

Examples:
- Transfer pre-award costs from departmental holding account
- Correct clerical error
- Reallocate salary and fringe to reflect actual effort
- Reallocate shared services that were previously charged elsewhere

PI/PD- refers to Project Investigator/ Project Director.

SPFM – acronym for the Assistant Vice-presidency of Sponsored Programs Financial Management

SPONSORED PROGRAMS – all PROJECTS financed through an external funding source including federal, state, municipal, or local government and/or private agencies and organizations which involve the performance of work in the form of instruction, research, service and/or support, among others

SPONSORING AGENCY – means an organization providing external funding for the performance of SPONSORED PROGRAMS

SUAGM – acronym for Sistema Universitario Ana G. Mendez refers to the Central Administration and all its Colleges, Universities and Centers, including, but not limited to Universidad del Este (UNE), Universidad Metropolitana (UMET), Universidad del Turabo (UT) and Centro de Telecomunicaciones y Educacion a Distancia (CETED)

5. OVERVIEW:

A cost transfer is any adjustment or transfer of expenditures to/from an externally funded contract or grant account by means of a university (1) personnel action form (Informe de Cambio) or (2) journal entry form. A personnel Action Form is used to adjust an allocation of effort that was processed. A Journal Entry is used to adjust any non-salary charge that had previously been posted to an account (e.g., travel, materials, etc.). Diligent review of financial records and timely communication between principal investigators and departmental administrators should prevent the necessity for transfers; however, under certain circumstances transfers may be appropriate.
The administration of cost transfers is extremely important and sensitive when federal funding is involved. Federal agencies, which sponsor agreements at SUAGM, are especially concerned that costs can be specifically identified with the funded activity they benefit. 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." The Circular goes on to say, "Any cost allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements."

When sponsored agreement records are reviewed, inappropriate or poorly documented cost transfers can result in federal regulators denying reimbursement of these questionable charges or imposing other sanctions on SUAGM, such as withdrawal of Expanded Authorities. Salaries, wages, goods and services that do not benefit another agreement may not be transferred to that agreement. Therefore, it is important to provide detailed written explanations justifying all cost transfers. Special care must be taken with cost overruns (i.e. cost transfers from sponsored agreements with cost overruns to agreements with fund balances). Cost overruns are considered "voluntary cost sharing" and must be handled in the manner described in section 6C of this policy.

6. PROCEDURES:

COST TRANSFER WITHIN 30 DAYS

Cost transfers involving sponsored projects (including payroll reallocations) that are processed within 30 days of the original transaction require approval signatures (e-mail is acceptable) of the PI / PD, and the SPFM office.

COST TRANSFERS OVER 30 DAYS

Only in the case of exceptional circumstances will cost transfers (including payroll reallocations) be permitted more than 30 days after the original charge or effort certification. However, all transfers to correct errors in the original charges will be made, regardless of the timing. For sponsored projects with specific budget for each year and all closeout, the PI or PD has 60 days, at the end of each sponsored project year, to ensure that all expenses are totally paid in full and costs are transferred to the correct account. The reasons that explain why the cost transfer took over 30 days after the original charge must be documented in detail. Also, the transfer will require the completion of a cost transfer justification form duly signed by the PI or PD, and approved by the authorized SPFM representative.
COST TRANSFER CONSIDERATIONS

In general, cost transfers will result from one of the two situations detailed below. In either of these cases, it is critical that the specific situation necessitating the transfer be fully documented and supported by all relevant back-up material. Relevant back-up material would include a copy of the original accounting report expenditure and a written justification of why the transfer is appropriate.

A) **Clerical error correction:** Correction of errors is required and must be fully explained.

B) **Cost benefiting more than one sponsored agreement:** When a particular charge to a sponsored agreement benefits another agreement, because of the interrelationship of the work involved, that charge may be transferred to the other agreement provided that: (1) The initial charge could appropriately have been made to the other agreement, (2) the transfer explanation is clear as to why the particular charge is appropriate to either of the agreements, and (3) the transfer is processed within 30 days of the original transaction. In some cases, transfers involving "related work" must be approved by the Sponsoring Agency.

ISSUES RELATED TO COST TRANSFERS

The situations detailed below are often encountered in the administration of sponsored agreements.

A) **Pre-award Costs:** Pre-award costs in SUAGM are not allowable; except in the case of exceptional circumstance and which require recommendation of an authorized SPF M representative and the respective Chancellor approval, before the expense is made.

B) **Continuation Costs:** If a continuation award is anticipated after the end date of the current award, costs may continue to be charged to the active account, if approved by the respective Chancellor of the corresponding Institution. **Temporary charges to another account are not allowable in SUAGM.**

C) **Closeout of a Sponsored Project Account:** Principal investigators or Project Director, together with the designated departmental administrative support personnel responsible for overseeing sponsored agreement accounts should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not reimbursable. The PI/PD, with the designated departmental administrative support personnel, and the SPF M's Office should check the original sponsored agreement and OMB A-21 at any time they are uncertain about the allowability of a certain expense prior to charging the expense to the sponsored agreement account. If unallowable costs have been incurred, they must be removed from the sponsored agreement account and charged to an appropriate departmental account. Generally, costs incurred beyond the project end date are
not allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of the sponsored agreement.

Cost overruns are not allowable; but they can occur in some circumstance. Under these circumstances the PI/PD would be required to send a written justification for this action to the SPFM's Office. Cost overruns on a sponsored agreement should be transferred to the responsible department's account, through a Journal Entry Form completed by the SPFM's Office and be notified to the Budget Office so that they can identify operational funds to cover this transaction.

(D) Unexpended Balances: Unexpended sponsored funding at the close of a project must, in most cases, be returned to the sponsor. Exceptions to this disposition are fixed price contracts and agreements allowing carrying forward of funds. For clarification of the terms of a specific sponsored agreement, the SPFM's Office should be contacted.

7. RESPONSIBILITIES:

The SPFM's Office and the Accounting Office are responsible for ensuring that local units abide by this policy and accompanying procedures when processing cost transfers. The SPFM is responsible for maintaining the policy and for answering questions regarding the policy. Individuals processing cost transfers are asked to first contact their SPFM’s Office with questions on this policy, to ensure that the SPFM’s Office is aware of cost transfer questions and that consistent guidance is provided to each unit.

It is the responsibility of each school or other local unit to:
- Request a transfer of costs to the SPFM'S Office, as soon as it is identified
- Retain copies of all related documentation, in accordance with SUAGM record retention policy (VPFA- AVPSPFM - 05.00).
- Ensure that all personnel engaged in the financial administration of federally funded awards are familiar with the SUAGM Cost Transfer policy.

8. CONTACT:

Assistant Vice-President of Sponsored Programs Financial Management
Telephone (787) 751-0178 Ext 7655
Facsimile (787) 753-1624
Email: Contact your SPFM’s Account
UNE- Carlos J. Adorno Adorno- ac_cadorno@sua gm.edu
UMET/Canal 40- Oswaldo Rivera De Jesús- ac_osrivera@sua gm.edu
UMET- Carlos R. Camacho Hernández- ccamchao@sua gm.edu
UT- Nitzza L. Roldán Barrios- ac_nroldan@sua gm.edu
9. **APPLICABILITY:**

   This policy applies to all SUAGM officers, employees, associates and agents involved in the administration of SPONSORED PROGRAMS.

10. **AGENCY GUIDELINES:**

    OMB CIRCULAR A-21 Cost Principles for Educational Institutions  
    National Science Foundation- Policy Manual  
    National Institute of Health- Guideline

11. **EFFECTIVE DATE:**

    This policy is effective as of the date of issuance and rescinds all previous policies pertaining to for SPONSORED PROGRAMS.

    Approved by:  
    [Signature]  
    Vice President for Financial Affairs  
    Date: [Date]  
    5/28/0