

## Cost Transfers

- Authority** This Guide Memo is approved by the Vice President for Business Affairs and Chief Financial Officer.
- Applicability** This policy applies to all Stanford employees responsible for accounting transactions.
- Summary** This Guide Memo sets out policies and procedures for transferring already incurred costs from one expenditure account (Project-Task-Award) to another. Cost transfers may also be called transfers of expense.
- Section headings are:
1. COST TRANSFER POLICIES
  2. COST TRANSFER PROCEDURES

### 1. COST TRANSFER POLICIES

A cost transfer is an after-the-fact reallocation of the cost associated with a transaction from one Project-Task-Award (PTA) to another. Although costs should always be charged to the correct PTA, cost transfers are sometimes necessary. To be allowable, cost transfers must be timely, be fully documented, conform to University and sponsor allowability standards (that is, allowable under the terms of the sponsored agreement), and have appropriate authorizing signatures. See Guide Memo 36, Authorizing Expenditures, <http://adminguide.stanford.edu/36.pdf>.

- a. Error Correction** – Correction of errors is required on all PTAs. Errors may include clerical errors (such as typographical errors or transposition of digits in the PTA and expenditure types). Other errors may be detected upon review of monthly expenditure reports. It may be that an employee's Labor Schedule was not updated, an individual's effort was redirected, or a purchase was charged to a PTA other than the one that ultimately benefited from the use of the items purchased. All errors should be corrected as soon as they are detected.
- b. Pre-Award Costs** – For the effective and economical conduct of a sponsored project, it is sometimes necessary for costs to be incurred before the award document has been received. In such cases, departments should request the Office of Sponsored Research to set up an early PTA. The Authorization for Early Project, Task and Award Request form is available online at: [http://ora.stanford.edu/supporting\\_files/osrform38.doc](http://ora.stanford.edu/supporting_files/osrform38.doc). The early PTA number becomes the permanent PTA number when the award is effective; no cost transfers are needed.

Sometimes an early PTA may not be feasible, or the need for one is unknown. When a department later determines that costs related to a sponsored project were charged to a departmental PTA, the costs should be transferred to the new sponsored project PTA. If you must transfer costs on a sponsored project PTA, perform the transfer as soon as possible, with a good justification.

- c. Active Sponsored Project PTAs** – Sponsors have varying guidelines on cost transfers; departments should consult the Office of Sponsored Research when in doubt about the acceptability of a proposed cost transfer. Stanford allows cost transfers involving sponsored PTAs in the following circumstances:
  - Error correction (see section 1.a)
  - Pre-award costs when an early PTA is not used (see section 1.b)
  - Transfers between Tasks of the same sponsored project
  - Costs benefiting more than one project
  - Clearing potential or actual overruns
  - Disallowed costs

- (1) **Costs Transferred in Anticipation of an Overdraft** – Administrators should carefully manage sponsored PTAs. During review it may be determined that an overdraft might occur. This possibility is included in the Sponsored Project Cost Transfer Decision Trees at: [http://ora/cardinal/level\\_1/reg\\_environ/project/overdrafts.asp](http://ora/cardinal/level_1/reg_environ/project/overdrafts.asp). If an overdraft is anticipated, the following actions may be taken:
    - The costs may be legitimately transferred to another research-related gift PTA or sponsored project that also benefited from the cost. Documentation of the benefit must be explicit;
    - Or the cost must be treated in the same manner as cost sharing (see section 1.d (1)).
  - (2) **Costs Benefiting More than One Project** – When a particular charge to a sponsored project benefits another sponsored project, that charge may be transferred to the other project PTA, provided that:
    - The initial charge could appropriately have been made to the other PTA.
    - The charge is contemplated in the approved budgets of both PTAs.

*Example: If an equipment charge is to be transferred, both project budgets must have a line item for that equipment.*
    - The explanation for the transfer makes it clear why the particular charge is appropriate to either of the PTAs.
- d. **Closeout of Sponsored Project PTAs** – Administrators of sponsored PTAs should be particularly careful to manage and monitor their PTAs to not incur costs that are not reimbursable. Generally, no costs incurred after the end date are allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of a project. Guidelines are:
- (1) **Cost Overruns After the End Date of a Project** may not be cleared to another sponsored PTA. Refer to the Sponsored Project Cost Transfer Decision Trees at: [http://ora.stanford.edu/ora/osr/project\\_monitoring/cost\\_transfers.asp](http://ora.stanford.edu/ora/osr/project_monitoring/cost_transfers.asp). Such cost overruns are treated in the same manner as “cost sharing” and are not included in departmental administration costs for calculation of indirect cost rates. Transfers of such costs must be to appropriate cost sharing PTAs. Please refer to the Research Policy Handbook Document 3.5, *Cost Sharing: Stanford University Policy and Procedure*, <http://www.stanford.edu/dept/DoR/rph/3-5.html>, for information on cost sharing including the appropriate type of PTA that should be used to record the cost-shared expenses. Additional information on the cost sharing implementation guidelines is available at: <http://www.stanford.edu/dept/DoR/Resources/csimp/index.html>.
  - (2) **Unspent Balances** at the close of a project must, in most cases, be returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds. For clarification of the terms of a specific sponsored project call the Office of Sponsored Research. Well before the close of the award the project administrator should ensure that:
    - Expendable materials transferred to the project are allowable direct charges and are properly approved. Transfers of the costs of expendable materials into the project in the last month of an award may not be acceptable and require further documentation. The materials should have been invoiced and used prior to the end date of the award. In some cases materials received in the last month are considered pre-award costs when the project is ongoing and funding for the next period is assured. Consult the appropriate Office of Sponsored Research representative for clarification.
    - Commitments and approvals are in place for equipment, negotiated agreements, travel, service and report costs that have been incurred prior to the award expiration date but are unlikely to be paid by that date. Transfer of such costs to the closed award is allowable if documented and acceptable under the terms of the agreement.

- (3) **Adjustments** of indirect/facilities & administrative costs or fringe benefits by the Office of Sponsored Research are allowable when identified as part of the final fiscal reporting process.

**e. Disallowances and Unfunded Costs –**

- (1) **Transfers of Disallowed Costs –** If a disallowance is identified during preparation of the final fiscal report, and approval which makes the cost allowable has not been received, the cost must be treated in the same manner as cost sharing (see section 1.d(1) ).
- (2) **Transfers of Unfunded Costs –** A disallowed cost that is transferred to a cost sharing PTA (see paragraph (1)) frees up funds in the project PTA. If the project has costs that were originally identified as allowable costs to the project, but were charged to a departmental PTA or cost sharing PTA because project funds were not available, then those costs may be returned to the project PTA, up to the dollar limits of the freed-up funds.
- (3) **Transfers of Equipment –** Equipment purchased for a project but disallowed by the sponsor may be transferred to a departmental PTA if it will benefit other projects, or directly to another benefiting project, provided the other project's sponsor approves. If the equipment was used solely for the original project and the cost was disallowed it must be treated in the same manner as cost sharing (see section 1.d(1) ).

**f. Documentation –** Online cost transfer documentation must clearly show:

- The expense directly benefits the receiving PTA
- The expense is allowable on the receiving PTA
- The reason the expense was charged incorrectly to the first PTA
- That any systematic reasons which might cause this problem to be repeated have been addressed
- The reason for any delay in the timely processing of the transfer

**g. Cost Transfer Deadlines –** Cost transfers should be prepared and submitted as soon as the need for a transfer is identified. Deadlines for cost transfers are two months after the end of the academic quarter. This coincides with the deadline for PI certification of sponsored project and cost sharing PTAs defined in Guide Memo 36, Authorizing Expenditures, <http://adminguide.stanford.edu/36.pdf>. There is no difference in deadline for a salary cost and a non-salary item. The deadlines for transfers are as follows:

| Quarter | Months included             | Transfer deadline |
|---------|-----------------------------|-------------------|
| Fall    | October, November, December | February 28       |
| Winter  | January, February, March    | May 31            |
| Spring  | April, May, June            | August 31         |
| Summer  | July, August, September     | November 30       |

Transfers submitted after these deadlines must include a valid reason for the delay. When transfers are delayed, a correction to the original source of an entry (e.g., an update to a PAF) may not be made timely. Therefore, care should also be taken to ensure that subsequent charges are either appropriate to the original PTA or also transferred.

**2. COST TRANSFER PROCEDURES**

**a. Getting Started –** Cost transfers are submitted using the University’s online Oracle Financials system iJournals and Labor Distribution modules. Information about accessing and using the Oracle iJournals and Labor Distribution modules are available from the Month-End/Year-End Close section of the Gateway to Financial Activities web site at:

<http://fingate.stanford.edu/staff/moyrendclose/index.html>.

- New iJournals are used to transfer all costs with the exception of salary or student aid expenses that were originally posted on or after September 1, 2003

- Historical iJournals are used to transfer any expenses (including salary and student aid expenses) that were originally posted before September 1, 2003
- Salary iJournals are used to transfer salary expenses originally incurred (determined by the expenditure item date) on or after September 1, 2003 and before April 1, 2005.
- Labor Distribution Adjustments are used to transfer salary expenses originally incurred after March 31, 2005
- Allocation iJournals are used to distribute costs based on proportional benefit to a project. Allocations are used when it is difficult to determine in advance how much to charge each PTA for a shared supply or service. Allocations are often used to distribute costs from Service Centers, Auxiliaries, or expenditure allocation PTAs. Often allocations are repetitive, or are required on a repetitive basis.

**b. Identification Needed** – All users of the University’s online financial system must have a SUNet ID and password. Approvers must also have:

- (1) Been given authority in the “Stanford Authority Manager” (tutorial available at: <http://www.stanford.edu/dept/itss/services/authority/tutorial/introduction.html>), and
- (2) Passed the online test in the Cost Policy and Chart of Accounts class with 100% (available at: [http://ora/cardinal/level\\_1/cost\\_policy/default.asp](http://ora/cardinal/level_1/cost_policy/default.asp)).

See Guide Memo 36, Authorizing Expenditures, <http://adminguide.stanford.edu/36.pdf> for additional information.

Users of the Labor Distribution Adjustments module must also be granted access through the “Stanford Authority Manager”, complete training and sign a confidentiality agreement. See Getting Access to Labor Distribution Module of Oracle Financials System at: [http://fingate.stanford.edu/staff/payadmin/res\\_jobaid/access\\_laborDist.html](http://fingate.stanford.edu/staff/payadmin/res_jobaid/access_laborDist.html).

**c. Signatures** – Electronic signature of the person responsible for the PTA to be debited is required. Signature for the PTA to be credited is not required; however, the department initiating the transfer should make sure all individuals responsible for affected PTAs are informed of the entry.