

- I. Background**
  - II. Policy**
  - III. Definitions**
  - IV. Responsibilities**
  - V. Exceptions - Cost Transfers made in excess of the 90 days**
  - VI. References**
  - VII. Who Should Know This Policy**
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## **I. Background**

As a recipient of external funds from sponsoring agencies, Yeshiva University is obligated to uphold standards that are consistent with governing regulations and policies, amongst which is the management of cost transfers. A cost transfer involves moving an expense from one account to another. There can be several situations necessitating creation of a cost transfer, such as a determination that an expense benefitted a project other than the one to which it was initially charged, aligning labor charges with effort expended or correcting a keypunch error.

Auditors, as well as sponsoring officials, often scrutinize cost transfers. Frequent, tardy, or inadequately explained transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, can raise serious questions as to the appropriateness of the transfers. Transferring unallocable or unallowable costs to a sponsored project is improper and may result in fines, penalties, and reputational loss to the University, as well as possible civil or criminal liability for University faculty and employees. Accordingly, all cost transfers impacting sponsored projects must be fully documented to substantiate the need for the transfer. If only a portion of expenditure is being transferred, the explanation must also include the basis for allocating costs between the various funding sources.

Yeshiva University expects sponsored project costs to be reviewed and reconciled by the principal investigator (PI) on a monthly basis, or if performed by the departmental administrator, the review must be conducted under the supervision of the PI. In any event, the PI is responsible for all expenditures incurred and charged to their project. In turn, cost transfers must be completed in a timely manner and be accompanied by detailed documentation to justify the reason for the cost transfer. Refer to Section 5.8.B – *Cost Transfer Procedures for Sponsored Projects* for more information.

To minimize future cost transfers, known adjustments significantly impacting subsequent periods should be proactively made to (a) payroll distributions for those individuals expecting to charge sponsored projects so that the charges will reflect a reasonable estimate of the effort to be expended, and to (b) purchase orders for goods and services to be incurred and charged to sponsored projects. Lastly, departments should request that Research Finance establish pre award spending accounts in the financial system so that allowable Advance expenditures pursuant to sponsor's terms and conditions can be charged in advance of the receipt of the award and establishment of the project account.

## Cost Transfer Policy for Sponsored Projects

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Once the proposal is awarded, the pre award spending account officially becomes the awarded sponsored project account eliminating the need to transfer costs. Refer to Section 5.8.C–*Advance Spending Account and Procedures for Sponsored Projects* for more information.

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### II. Policy

**It is the policy of Yeshiva University that any cost transfer made to sponsored projects must be allowable and assignable based on the proportional benefit of the cost to the project, and, barring exceptional circumstances, should be made within 90 days of discovering the discrepancy, unless the sponsor requires a more restrictive term, but no later than 60 days after the project terminates to provide for final project closeout.**

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### III. Definitions

- A. **2 CFR 215 (OMB Circular A-110)** – Federal standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.
- B. **2 CFR 220 (OMB Circular A-21)** -- Federal principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.
- C. **Allocable** -- A cost is allocable to a project(s) if the goods or services involved are chargeable or assignable in accordance with the relative benefits received by the project(s). In order to be allocable, a cost must be treated consistently in like circumstances.
- D. **Allowable** -- A cost is allowable to a project if: (1) the costs are reasonable; (2) the costs are allocable to the specific project; (3) the costs are treated consistently in like circumstances; and (4) are not made unallowable by OMB Circular A-21 or the terms and conditions of the sponsored agreement.
- E. **Consistency** -- The application of costs must be given consistent treatment within established University policies and procedures including Cost Accounting Standards as issued by the Federal Cost Accounting Standards Board.
- F. **Cost Transfer** -- A reallocation of labor and/or non-labor cost(s) from one account to another. Cost transfers include salaries, wages, fringe benefits, and other than personnel service costs (OTPS).
- G. **Documentation** -- Detailed explanation and supporting documents as evidence to substantiate allocability, allowability and reasonableness for a specific transaction.
- H. **Labor Costs** -- For purposes of this policy, labor costs are payroll expenses for all classes of employees including students.
- I. **Non-labor Costs** -- For purposes of this policy, non-labor costs are supplies, professional fees, travel, equipment and other non-payroll expenditures. These costs are also referred to as other than personnel services or OTPS.

- J. **Reasonable** -- A cost may be considered reasonable if the nature of the goods or service acquired, and the amount paid, reflect the action that a prudent person would have taken at the time the decision to incur the cost was made.
- K. **Review** -- A process whereby transactions are analyzed to determine if they meet the standards of allowability, allocability, reasonableness and are in accordance with Federal, State, Agency and University guidelines.
- L. **Timeliness** -- All adjustments or transfers should be made within 90 days of discovering the discrepancy, unless the sponsor requires a more restrictive term, but no later than 60 days after the project terminates to provide for final project closeout. Exceptions require full documentation of reason for delay.

### IV. Responsibilities

#### A. Principal Investigator (PI)

- 1. Will ensure that labor and OTPS costs are charged to the correct account(s), in proportion of relative benefit to the account, when they are first incurred.
- 2. Is responsible for ensuring that transfers of costs to sponsored projects are compliant with this policy.
- 3. Understands that cost transfers should be made within 90 days of discovering the discrepancy, unless the sponsor requires a more restrictive term, but no later than 60 days after the project terminates to provide for final project closeout.
- 4. Understands that labor cost transfers made resulting from the certification of effort for the current effort reporting period are considered timely provided they are made within the University's appropriate timeframe for the completion of effort reports.
- 5. Will provide supporting documentation, which contains a full explanation as to the reason the cost transfer is required and describes the correlation of the charge to the project to which the transfer is being made.
- 6. When delegating responsibilities, the PI will ensure that the designee understands the Cost Transfer policy and procedure, and the referenced policies and procedures therein.

#### B. Department Administrator

- 1. Will assist the PI with correct charging of costs.
- 2. Will assist the PI with reconciling the projects on a monthly basis.
- 3. Will assist the PI with correcting discrepancies.
- 4. Understands that cost transfers should be made within 90 days of discovering the discrepancy, unless the sponsor requires a more restrictive term, but no later than 60 days after the project terminates to provide for final project closeout.
- 5. Understands that labor cost transfers made resulting from the certification of effort for the current effort reporting period are considered timely provided they are made within the University's appropriate timeframe for the completion of effort reports.
- 6. Will assist the PI with providing the supporting documentation, which contains a full explanation of why the transfer is needed and describes the correlation of the charge to the project to which the transfer is being made.

#### C. Department Chair

- 1. Will ensure their faculty and staff understand this policy.

#### D. Research Finance

- 1. Will review proposed cost transfers to ensure they comply with the appropriate governing regulations and policies.
- 2. Will ensure that the appropriate personnel have approved the proposed cost transfer.

## **Cost Transfer Policy for Sponsored Projects**

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3. Will ensure that the cost transfer complies with the established timeliness structure.

### **E. Finance Director**

1. Will review and approve necessary exceptions to this policy. Refer to *V. Exceptions – Cost Transfers made in excess of the 90 days* described below.

### **V. Exceptions - Cost Transfers made in excess of the 90 days**

In the strictest sense, cost transfers should be made as soon as the discovery is made within 90 days, unless the sponsor requires a more restrictive term, but no later than 60 days after the project terminates to provide for final project closeout. However, if the cost represents a short term (such as one or two months) fluctuation between projects and activities, the cost transfer need not be made as long as the distribution of salaries and wages is reasonable over the longer term, that is, the effort reporting period. Otherwise, significant costs requiring a transfer impacting a sponsored project are expected to be made within 90 days discovery of the discrepancy and should not wait for the effort reporting period to be initiated especially for costs relating to sponsored projects that are terminating.

- A. In the case that cost transfers are made beyond ninety (90) days from the discovery of the discrepancy, the PI and/or Department Administrator, will need to provide adequate documentation to support the transfer. The justification must include why it took more than 90 days to discover the error and what will be done to ensure the delay does not occur in the future.
- B. Additional approval of the Research Finance Director is also required..

### **VI. References**

- 2 CFR 220 (OMB Circular A-21) Cost Principles for Educational Institutions
- 2 CFR 215 (OMB Circular A-110) Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

### **VII. Who Should Know This Policy**

This policy should be understood by the following:

1. Research Finance
2. Payroll Department
3. Finance Director
4. Internal Audit
5. Department Administrators and Managers
6. Principal Investigators
7. Key Personnel
8. Department Chairs
9. Deans
10. Provost
11. Chancellor