

<b>ADMINISTRATIVE DIVISION</b> FINA Administration and Finance		<b>POLICY NUMBER</b> FINA 3.35 (NEW)
<b>POLICY TITLE</b> Grants and Funds Management – Cost Transfer Policy		
<b>SCOPE OF POLICY</b> USC System	<b>DATE OF REVISION</b> March 23, 2020	
<b>RESPONSIBLE OFFICER</b> Senior Vice President for Administration and Chief Operating Officer	<b>ADMINISTRATIVE OFFICE</b> University Finance – Controller’s Office	

**PURPOSE**

The purpose of this policy is to set forth the University of South Carolina’s requirements for cost transfers to, from, or between sponsored projects. The policy has been established to ensure consistency with other USC policies and compliance with the Office of Management and Budget (OMB) 2 CFR, Part 200 (Uniform Guidance) and OMB Circulars A-21 and A-110, as applicable.

**DEFINITIONS AND ACRONYMS**

**Cost Transfer** is a reassignment (transfer) of charges between accounts.

**Principal Investigator** is the faculty member the sponsor has designated as overall responsible for the grant award.

**Final Financial Report (FFR)** is used to report the final financial activities of a grant award.

**POLICY STATEMENT**

In accepting a grant or contract from a governmental agency, private foundation, industry partner or other sponsor, the University is obligated to comply with a number of rules and regulations promulgated by that sponsor. Among those obligations is the requirement that expenditures related to such sponsored projects are properly allocated and documented and that the University have internal controls in place to ensure compliance and identify and correct non-compliance in a timely manner.

Faculty and staff must make every effort to allocate sponsored project costs to the appropriate project(s) at the time the costs are incurred. However, in certain circumstances, it is permissible to transfer costs from one project to another (“Cost Transfer”). Such cost transfers to sponsored projects are allowable only when:

1. There is a direct benefit to the project being charged; and
2. The cost transfer is identified timely and accompanied by appropriate documentation as outlined in this policy.

Cost transfer to sponsored projects must be prepared and submitted within 90 days following the end of the month in which the original charge was posted to the general ledger. Thereafter, cost transfers to sponsored projects will not be permitted except in extenuating circumstances. Extenuating circumstances DO NOT include absences of PI or responsible administrator or shortage or lack of experience of staff.

Cost transfers which remove expenditures from sponsored projects are not subject to the 90 day time limit and must be processed at any time that it is *determined that an expenditure charged to a sponsored project is not appropriate or allocable to that project.*

Transfers between projects with the same budget year and funded under the same Federal award (based upon the Funding Source Award Number) are considered “intra-award reallocations.” These transactions are not “cost transfers” or subject to this policy.

A. Cost Transfers that are NOT ALLOWABLE:

Certain cost transfers are not allowable under any circumstances. In particular, costs allocable to a particular sponsor project may not be transferred to other sponsored projects:

1. To correct deficiencies caused by overruns or other funding considerations. The University will not shift or otherwise transfer costs in order to meet deficiencies caused by overruns;
2. To avoid restrictions imposed by law or by terms of the Sponsored Project; or
3. For other reasons of convenience.

At no time should sponsored projects be used to “park” expenses which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or the new project has not been received.

In addition, costs may not be transferred to a sponsored project merely because there are unexpended funds available which would otherwise be returnable to the sponsor. “Spending out” project funds is specifically unallowable by Uniform Guidance.

B. Cost Transfers that MAY BE ALLOWABLE:

Grants and Funds Management (“GFM”) determines whether a cost transfer is allowable. There are three prerequisites for GFM to consider a cost transfer to be allowable:

1. The cost transfer must reflect a direct benefit to the Sponsored Project being charged;
2. The cost transfer must comply with both the University’s policies and sponsor’s terms and conditions; and

3. The cost transfer must be fully documented, as outlined in the procedures below.

The following is a list of examples that illustrate circumstances in which a cost transfer may be allowable:

- a. The cost transfer will occur within 90 days of the original expense
- b. To correct errors due to the untimely receipt of information by the University (e.g.; late notice of award);
- c. To reallocate effort based on actual effort expended;
- d. To move pre-award costs to the appropriate project, in accordance with OMB Uniform Guidance and sponsor guidance;
- e. To correctly allocate costs benefiting more than one project;
- f. To remove unallowable charges;
- g. To remove out-of-period charges.

#### C. Timing of a Cost Transfer:

A cost transfer should be processed as soon as it is determined that an adjustment is necessary. Federal guidelines provide that cost transfers should be accomplished within 90 days following the end of the month in which the original charge was initially recorded. The following factors could affect and shorten the 90 day window:

1. Financial report due/submission date
2. Carryforward request due/submission date
3. Final invoice due/submission date

Cost transfers which remove expenditures from sponsored projects are not subject to the 90 day time limit, and must be processed at any time that it is determined that an expenditure charged to a sponsored project is not appropriate or allocable to that project.

#### **PROCEDURES**

The procedure for this policy provides details on the administration and management of cost transfers for the university. The procedure is located at [https://sc.edu/about/offices\\_and\\_divisions/controller/policies\\_and\\_procedures/index.php](https://sc.edu/about/offices_and_divisions/controller/policies_and_procedures/index.php)

**RELATED UNIVERSITY, STATE AND FEDERAL POLICIES**

[FINA 3.15 – Closeouts](#)

[FINA 3.19 – Elimination of Overdrafts](#)

[FINA 9.10 – Cost Accounting Standards](#)

**HISTORY OF REVISIONS**

<b>DATE OF REVISION</b>	<b>REASON FOR REVISION</b>
March 23, 2020	New policy