

## Guidelines For Grant Costs and Transfers

### Definitions

**Allocable:** A cost is allocable to a particular award if the goods or services involved can be directly charged to the Award based on the benefit provided.

**Allowable:** A cost is allowable if it is permitted as a cost within general federal regulations, the terms of a specific Award, and/or WOU's F&A rates.

**Business Purpose:** For purposes of this policy, the business purpose is the description provided to ensure that a cost is necessary and reasonable for the sponsored project.

**Consistently Treated:** All costs incurred for the same purpose and in like circumstances must be treated uniformly either as direct costs or as indirect (facilities and administrative or F&A) costs. Since certain costs, such as administrative salaries and office supplies, are normally treated as F&A costs, these costs cannot be charged directly to federal Awards unless the circumstances of an Award are clearly different from the normal operations of the unit.

**Cost Transfer:** An after-the-fact transfer of costs to or from a sponsored award after the expense was initially charged to another sponsored award or non-sponsored project account.

**Cost Sharing:** Any project costs that are not reimbursed by the sponsor. Cost sharing of effort is the personnel time and related fringe benefits that were committed and provided in support of the project but are paid for by other funding sources.

**Direct Cost:** Those costs that can be identified specifically with a particular project, or other internally or externally funded activity, or can be assigned to such activities relatively easily with a high degree of accuracy.

**Documentation Standards:** Common rules and guidelines that establish the form, type, and amount of documentation that is reasonable and appropriate to establish the justification for a transaction. Documentation requirements may include (but are not limited to) written explanations containing references to relevant financial data elements, detailed receipts, emails, confirmation of payment, bills of sale, invoices, etc.

**Pending Index:** An index established in WOU's financial system to capture award costs in a restricted account before completion of award acceptance at WOU. The pending index is set up by the Sponsored Projects Office (SPO) in coordination with the Business Office (BO) and is considered at-risk spending. Pending indexes must be guaranteed by the budget authority.

**Reasonable:** A cost is considered reasonable if the nature of the goods or services, and the price paid for the goods or services, reflects the action that a prudent person would have taken given the prevailing circumstances at the time the decision to incur the cost was made.

**Transaction Justification:** Explanations that specify a transaction's legitimate business purpose and benefit to the sponsored award. This may be supplied by supporting documentation and/or written explanation when documentation does not provide adequate clarity or transparency.

**Unallowable Cost:** Those costs that cannot be charged to a sponsored award due to sponsor and/or WOU policies, regulations, and restrictions. These regulations vary by the sponsor and the same sponsor may have different restrictions for different awards, depending on the source of the funding, the type of award (e.g. grant, cooperative agreement, or contract), or the purpose of the award (e.g. research, equipment, conference, training). Therefore, whether a cost is considered allowable or unallowable for a sponsored award may only be determined through a close review of the award documentation, sponsor regulations and guidelines, and WOU policies and procedures.

## **Guidelines**

### **Responsibilities and Procedures**

It is the expectation that costs for sponsored awards are correctly charged to the project from the outset and that they are reasonable, consistently treated, allowable, and allocable to the particular award charged. However, in certain circumstances, it is permissible to transfer costs to or from a sponsored award after the initial recording of that cost. Such transfers require careful monitoring for compliance with WOU policy, federal and state regulations, and sponsor terms and conditions.

A cost transfer requires thorough documentation to support the transaction. In addition, the transfer must be timely, and complete.

Examples of cost transfers that are allowable:

- Correction of errors (i.e. transpositions and typographical errors)
- Unallowable cost removal from the award
- Transfer pre-award costs from a departmental holding account (as long as it is within the allowable cost period)
- Reallocate planned effort to reflect actual work
- Allocation of a cost between two or more projects in proportions that can be determined in relation to the benefit to each project.

Examples of cost transfers that are not allowable:

- To use up the unexpended balance of an unrelated project.
- Using a sponsored project as a holding account for expenses that will be transferred elsewhere.
- Transferring costs allowable to a particular sponsored project to other sponsored projects.
- To avoid restrictions imposed by law or the sponsored project terms.
- To avoid a cost overrun of allowable/allocable project expenditures.

- Transferring a cost more than one time - once a transfer is made, the new source of funding is considered correct.
- Any other reasons of convenience.

If a project index is not yet available for a sponsored award, charges must be posted to a pending index, state, or gift account. Under no circumstances should charges that will subsequently be transferred elsewhere be posted to a different sponsored award.

Cost transfers are very limited after the fiscal year-end close and must be approved by SPO and the BO.

### Timeliness of Transfers

- Transfers of costs to or from sponsored awards must be made within 90 days following the end of the month in which the original charge was posted.
- If the transfer is over 90 days following the end of the month in which the charge was posted, a detailed justification explaining the transfer must be included in the JV text or attached documentation.
- If the transfer is for a cost that was posted in a prior fiscal year, an interdepartmental JV form must be submitted to the BO for completion of the JV along with a detailed justification explaining the transfer.

### Documentation & Approvals

- Documentation is needed for audit purposes and is a key element in providing support and justification as to why the transfer was done. Thorough explanation and documentation are essential to avoid audit findings and possible disallowances.
- Document text must include the reason why the expense was charged incorrectly to the original index and how the expense directly benefits the receiving project.
- Examples of documentation:
  - Supporting schedules-such as Excel documents and stand-alone reports from independent operating systems
  - Other documents- if specific emails or Word documents provide a better understanding of the entry, you should attach those documents to the entry. Previous journal entries that were done incorrectly can provide support for a corrected journal entry
  - Original invoices or other source documentation (i.e. I docs, F docs, IC docs, VM docs, etc.)
- Examples of required approval
  - Email from PI approving or confirming the change.
  - A written request for change from PI.
  - A detailed report signed by PI that includes corrections.

### Roles and Responsibilities

#### **Principal Investigator:**

- Review and approve monthly transaction reports provided by administrative support to ensure all costs are reasonable, allowable, and allocable.
- Complete quarterly financial and effort certifications and return to SPO.
- Initiate and/or approve costs and cost transfers for non-labor-related direct costs.

- Provide a detailed justification for all cost transfers of expenses that were posted over 90 days prior and for costs that were posted in a prior fiscal year.

**Sponsored Projects Office:**

- Enter budgets into Banner for each project index to ensure costs remain within the constraints of the budget.
- Review and approve all costs and cost transfers for sponsored awards for the following:
  - Allowability
  - Allocability
  - Confirm original charge and review for previous cost transfer.
  - The available balance on the index being charged.
  - The charge is within the award period.
- Send out financial and effort report certifications to PIs quarterly.

**Business Office:**

- Review all costs and cost transfers for compliance with WOU policy, federal and state regulations, and sponsor terms and conditions.
- Review interdepartmental JV forms for accuracy and completeness and enter them into Banner.
- Periodically review purchasing policy and other WOU policies to ensure compliance with federal and state regulations.