Cost Transfer Policy and Procedures

The purpose of this policy is to document the Wellesley College cost transfer policy for costs moved onto an externally sponsored projects. This policy is approved by the Vice President for Finance and Administration to be effective on August 1, 2017.

Policy

The Associate Controller, Principal Investigators (PIs), and authorized Grant Managers share responsibility for costs charged to sponsored projects. PIs and authorized Grant Managers are required to assist the Associate Controller as needed, to ensure costs are accurately charged to sponsored projects. The Associate Controller is responsible for ensuring all costs on sponsored projects are accounted for in a manner consistent with sponsor requirements and Generally Accepted Accounting Principles. It is the policy of Wellesley College that costs be charged to the appropriate sponsored project when incurred. However, there may be circumstances in which it is necessary to transfer costs to, or from, a sponsored project after the cost has been incurred and recorded. The movement of costs requires monitoring for compliance with internal and external policies and procedures such as Wellesley College’s policies, Federal regulations, and sponsor specific terms and conditions.

Procedures

Costs may be directly charged to a sponsored project only when the cost is allowable, allocable, and reasonable (see definitions below) to the project being charged. Proper review and oversight of projects should minimize the need to transfer costs. However, under certain circumstances, it may be necessary to move a cost that has been charged from where it was originally charged to another source.

Some examples of typical circumstances for cost transfers that may be allowed:

- Correction of a clerical error
- Reallocation of salary and fringe to reflect actual effort
- Reallocation of a cost that benefited multiple awards/projects
- Cost overruns
- Removal of unallowable costs

Cost transfers are permissible subject to the following conditions:

- Cost transfers should be exceptional, rather than routine, matters. Costs should be assigned and charged to the proper projects when incurred, and generally should not need to be transferred.
- Cost transfers to, and from, sponsored projects should be done on a timely basis; best practice is within 60 days of the recording of the cost on a project.
- Costs transferred onto a sponsored project account must have been incurred during the award or budget period of that project.
- Costs determined to be incorrectly charged to a sponsored project must always be removed from that project without regard to the date of discovery.
Cost transfers need to be approved by the Principal Investigator or Project Director and supported by documentation which adequately explains why the cost transfer is being requested and how the charge directly benefits the project it will be transferred to.

Documentation accompanying the cost transfer request should include:

- Copies of the original transaction documentation (e.g. invoice, pro-card receipt and statement, expense report, etc.). If the cost being transferred is salary related, the Associate Controller will discuss with the PI and Grants Manager the documentation necessary for labor redistribution.
- An explanation as to why the cost should be moved and how that determination was made. For example, if the cost was incorrectly posted (an error occurred), an explanation of what caused the error, and how it was discovered should be provided.
- If the posted cost is being transferred to another project, an explanation as to what makes the cost appropriate to the project now receiving the cost (how it is allowable, allocable, and reasonable; and how the cost directly benefits the project now being charged).
- If this cost transfer is greater than 90 days from the original transaction date, the extenuating circumstance(s) for the delay in processing the cost transfer.

Cost transfers occurring within 90 days of the original transaction date must be approved by the Associate Controller and the Controller.

Cost transfers occurring more than 90 days after the original transaction date must be approved by the Department Chair and the VP for Finance & Administration.

A sample cost transfer request form is provided for convenience, however the request may be made by other means, including by email, so long as the necessary documentation detailed above is included with the request.

Definitions

Allowable Costs are charges for goods or services that are permitted on a sponsored project, agreement, contract, or grant. In other words, these costs are in compliance with Wellesley College’s policies and procedures, the sponsor’s terms and conditions, and Federal regulations, and therefore the allowable costs may be paid from the sponsor’s funds. Allowability also includes the concepts that costs must be: (a) necessary and reasonable for performance of the sponsored project; allocable to the sponsored project; (b) in compliance with the sponsor’s terms and conditions; (c) consistent with policies and procedures that apply uniformly to both Federally-financed and other activities at Wellesley College; (d) accorded consistent treatment (for example, a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; (e) in accordance with generally accepted accounting principles (GAAP); (f) only charged once (for example, the cost must not also be included as a cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period, and (g) adequately documented.

Allocable Costs are costs that are chargeable or assignable to a particular project in accordance with relative benefits received. This standard is met if the cost: 1) is incurred specifically for the project, 2) benefits both the project and other work of Wellesley College and can be distributed in proportions that may be approximated using reasonable methods; and 3) is necessary to the overall operation of Wellesley College and is assignable in part to the project.

Reasonable Costs are costs which, in their nature and amount, do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Consideration must be given to: (a) whether the cost is generally recognized as ordinary and necessary for the proper and efficient performance of the project, (b) sound business practices, arm’s-length bargaining, Federal, State, and other laws and regulations, and terms and conditions of the grant, contract or other agreement, (c) market prices for comparable goods or services for the geographic area, (d) whether the individuals concerned act with prudence in the circumstances, and (e) whether Wellesley College deviates from its established practices and policies regarding the incurrence of the costs.
**Sample Cost Transfer Request**

Please attach copies of the original transaction documentation (e.g. invoice, pro-card receipt and statement, expense report, etc.).

Submit completed request and attachments to the Associate Controller.

Prepared By: ______________________________________  Date Prepared: ______________________

Workday Transaction Date: __________  Workday Transaction Number ______________________

Payee: __________________________________  Cost Transfer Amount: ______________________

Original Worktag: __________________________________  Worktag To Be Charged: ______________________________

**Required Justifications:**

Please explain why the cost should be moved and how that determination was made. For example, if the cost was incorrectly posted (an error occurred), please explain what caused the error, and how it was discovered.

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

If the posted cost is being transferred to another project, please explain what makes the cost appropriate to the project now receiving the cost (how it is allowable, allocable, and reasonable; and how the cost directly benefits the project now being charged).

____________________________________________________________________________________

____________________________________________________________________________________

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If this cost transfer is greater than 90 days from the original transaction date, please provide the extenuating circumstance(s) for the delay in processing the cost transfer. What action will be or has been taken to prevent this issue from recurring?

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

**Approvals:**

Principal Investigator: ____________________________  Date: ____________________________

Associate Controller: ____________________________  Date: ____________________________

Controller: ____________________________  Date: ____________________________

For transfers initiated more than 90 days after original transaction date

Department Chair: ____________________________  Date: ____________________________

VP for Finance & Administration: ____________________________  Date: ____________________________