Division of Finance & Treasury  Subject: Cost Transfer Limitation and Policy

I. TITLE

Cost transfer limitation and policy.

II. OBJECTIVES

To establish sound and consistent management practices with respect to transferring costs to or from sponsored project accounts, especially in connection with federal or state grants or contracts.

III. SCOPE

A cost transfer is an after-the-fact reallocation of costs associated with a transaction from one account to another account. Costs should be charged to the proper account for the benefitting sponsored project when first incurred. However, at times it may be necessary to transfer a cost to a sponsored project subsequent to the initial recording of that cost.

Montclair State University is required to carefully monitor these transfers for compliance with federal regulations and policies, and federal cost principles that underlie all fiscal activities of sponsored projects. Montclair State University is required to maintain documentation of cost transfers and to make these documents available for audit or other reviews.

IV. PROCEDURE

Cost transfers to sponsored projects which represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of the original entry or fewer days if the original entry is closer to the closing date a grant or contract. Cost transfers should never take place more than 60 days past the project end date.

All cost transfer requests must be supported by documentation that fully explains how the error occurred and approved for correctness by Grant Accounting. An
explanation merely stating that the transfer was made “to correct an error” or “to transfer to a correct project” is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable. Transfers and their accompanying justifications must be reasonable, equitable, and in realistic proportion to the benefit provided.

Cost transfers should be made within 90 days of the original transaction or less if applicable. Any transfer made after this period raises serious questions regarding the propriety of the transfer. If a principal investigator or project director desires to request a transfer after this time period, they should completed the Cost Transfer Explanation Form to provide adequate explanation of why the transfer is late, provide justification for the transfer and certify the propriety of the transfer. All transfer requests after the 90 day period must also be certified by the appropriate Dean or Dean designee. Cost transfers are subject to review and approval by Grant Accounting.