

# Cost Transfers on Sponsored Programs

## Reason/Purpose for Guideline

This guideline was developed to ensure the integrity of the University is charging practices for expenses transferred to a sponsored program account after its original charge elsewhere in the University's accounting system.

When cost transfers to move expenses involve sponsored program accounts, it is critical that the transfer meets the requirements for allowability, allocability, reasonableness and consistency.

Additionally, this guideline ensures compliance with sponsor terms and conditions, regulations and University policies.

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring.

- Frequent cost transfers
- Late cost transfers
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Diligent review of financial records and timely communication between principal investigators and departmental business office should prevent the necessity for transfers; however, under certain circumstances transfers may be appropriate.

## Definitions

**Cost Transfer** – A cost transfer is an after-the-fact reallocation of an expense, either salary or non-salary costs, associated with a sponsored program after the expense was initially charged to another sponsored program or non-sponsored program. All cost transfers with the exception of salary transfers generated from effort reports should be made within 90 days of the original charge.

Transfer of salary costs prior to PAR certification is **not** considered a cost transfer. Changes in payroll distribution are appropriate prior to certification. Salary distribution changes after certification **are** considered cost transfers and are heavily scrutinized. All cost transfers require pre-auditor approval.

**Late cost transfer** – A late cost transfer is a correction made more than 90 days after the calendar month in which the original charge appears on the Financial Statement (FSSR or Aims) report. The only exception is salary transfers generated from effort reports. In some cases, the PAR certification occurs more than 90 days after the original payroll charge has posted.

See **Appendix A – Categories of Cost Transfers** for help in determining whether action is a cost transfer.

## **Guideline**

The University is committed to ensuring that all cost transfers are legitimate and are conducted in accordance with sponsor terms and conditions, regulations and University policy. Cost transfers must be supported by documentation which contains a full explanation of why the error occurred and the relationship of the charge to the project to which the transfer is being made. Explanations such as “to correct an error” or “to transfer to correct grant” are unacceptable. [Note: Original PARS may result in salary transfers but do not require an explanation since it is the original certification]

Transfers of costs between or to any sponsored project are allowable only where there is direct benefit to the project being charged. An overdraft or any direct cost item incurred in the conduct of one sponsored project may not be transferred to another sponsored project merely for the sake of resolving a deficit or an allowability issue. Cost transfers should not be used as a means of managing awards.

Cost transfers, with the exception of salary transfers generated from effort reports must be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days from the end of the calendar month in which the transaction appears on the project. A shorter cost transfer period may be necessary near the project end date. Final financial reports are typically due to sponsors 30 to 120 days after the project end date. This requires that all cost transfers be completed expeditiously.

The University is obligated to remove incorrect or unallowable charges made to sponsored accounts as soon as they become known, regardless of timeframe.

## **Responsibility**

All Principal Investigators and their Business Offices are responsible for ensuring that transfers of costs to sponsored programs representing correction of errors between or to sponsored projects are made promptly.

The departmental business office is responsible for ensuring that requested transfers are made promptly and all required documentation is on file. Documentation related to each cost transfer must be retained in the department according to the University’s retention policy. It must be made available for verification during the course of an audit or other review.

The departmental pre-auditor is responsible for assuring documents are in compliance with the document preparation guidelines and are forwarded to the proper office in a timely fashion.

## **References**

[Correcting Document Guide](#)

[PAR Payroll Correction Process](#)

## Appendix A – Categories of Cost Transfers

Non-Cost Transfers	Appropriate Cost Transfers	Problematic but Necessary Cost Transfers	Inappropriate Cost Transfers
Original charges paid by journal voucher for on-campus service centers (Document Type JN)	Costs transferred from a non-sponsored source to a sponsored fund after the resolution of contractual delays	An unallowable cost has been identified and must be removed from the sponsored fund	Transferring costs simply to expend remaining funds
Pcard or Tcard payment allocations	Corrections of typographical errors or numeric transpositions	Changing allocations of a charge based upon changes in usage of the item on the sponsored award	Transferring payroll expenses that do not accurately represent the effort on the project; and/or transferring payroll charges based upon budgeted amounts rather than actual effort
Corrections between different funds for the same award (i.e. funds for multiple PIs, or different phases of a project)	Updating fund allocations of an expense based upon system limitations at cost onset; non-sponsored to sponsored funds	Sponsored fund is overspent and must be corrected	Transferring costs at the end of a project period, and/or after the end date of a project
		Clean up a large number of costs posted to incorrect funds within an award	Transferring costs more than 90 days after the original posting date
			Transfers without proper documentation or justification
			Moving costs that were disallowed on one award to another award
			Changes to payroll allocations or funds after the payroll or effort report has already been certified for the period