



POLICY MANUAL

OPERATING POLICIES AND PROCEDURES

Sponsored Projects

Number 581

Subject: Cost Transfers for Sponsored Projects (Contracts/Grants)

Effective Date: February 1, 2007

OVERVIEW

Salaries, wages, and other operating expenditures should be charged carefully so that original expenditures are posted to the correct project. Occasionally there are circumstances where cost transfers from one project to another project are necessary. *Cost Transfers made frequently, untimely and /or cost transfers not adequately explained may raise questions about the appropriateness of the transfers.*

581.1 DEFINITIONS

1.1 **Cost Transfer** - A cost transfer is an after-the-fact reallocation of expense(s) from one Index/project to another Index/project.

581.2 POLICY

Cost transfers for sponsored projects will be made in accordance with the procedures outlined in Section 3.

The following excerpt from Section C.4.b of OMB Circular A-21 should be adhered to at all times regarding sponsored projects.

“Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.”

581.3 PROCEDURES

- 3.1 The following procedures are provided to ensure that cost transfers are appropriate and authorized.
- (a) A Reallocation Transaction form is used for payroll cost transfers.
 - (b) A Request for Journal Voucher form is used for all other cost transfers.
 - (c) Cost transfer forms should be completed and returned to the Controller's Office within 90 days of the original transaction or within 60 days after the end date of the project's budget period, whichever comes first.
 - (d) Forms not submitted within 90 days after the original transaction will require additional justification (e.g. why the cost is being transferred after the 90 days and what corrective action has been taken to eliminate the need for delayed cost transfers in the future.) Only under extraordinary circumstances will cost transfers be allowed 60 days after the end date of the project.
 - (e) The reasons for transferring the expenditures must be sufficiently stated to establish that the transfer is within the approved guidelines of the project to be charged and is in direct support of the project objectives.
 - (f) Forms must be signed by the Principal Investigator/Business Manager. (Note: Department Head/Director signature is required when the amount exceeds \$1,000 or when it has been more than 60 days since the original transaction date).
 - (g) It is the responsibility of the individual and/or Research Center requesting an expenditure transfer to verify that the transfer has been properly posted.
 - (h) Expenditures cannot be transferred more than once, unless the expenditures were disallowed.
 - (i) Forms with inaccurate or incomplete information, or forms with insufficient and/or inadequate explanations, will be returned to the Department/PI.
- 3.2 **Late Awards** - When late award documents are anticipated, the Sponsored Programs Office should be contacted to establish a grant fund (Letter of Guarantee) to allow the accurate posting of charges. This will preclude the need for substantial cost transfers.
- 3.3 **Cost transfers may be appropriate:**
- (a) To correct clerical and data entry errors.
 - (b) For costs incurred in connection with an anticipated award that fails to materialize.
 - (c) When charges directly benefit more than one program and, therefore, a distribution of the costs is justified based on the benefits received.
 - (d) When subsequent information is received, indicating the charges have had material benefit to the grant and are not otherwise prohibited by the terms of the award.
 - (e) To move expenses off an account that are outside of the budget period and/or project period of the award.
- 3.4 **Cost Transfers are not appropriate:**
- (a) For the purpose of utilizing unexpended funds of another award.
 - (b) For the purpose of circumventing award restrictions.

- (c) To avoid cost overruns.
- (d) For reasons of convenience.