**COST TRANSFERS ON SPONSORED PROJECTS GUIDE**

1. ***Purpose and Summary***

The purpose of this guideline is to assure the integrity of the University’s practices in regard to the transfer of expenditures on and off sponsored projects. When an expense is charged to a sponsored project, the University “certifies” to the sponsor that the expense is an allowable expense. When an expense is transferred, to make a correction, there is the assumption that the original transaction was not handled properly.

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 management.

* Frequent cost transfers (on average one per month per account)
* Late cost transfers (completed more than 90 days after original transaction date)
* Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Proper management of sponsored funds includes charging expenses properly when the expenses are initially posted to University accounts. Monthly account reconciliation, diligent review of financial reports and timely communication between PIs (principal investigators) and support staff will help to ensure expenses are posted correctly and will reduce the need for cost transfers.

Sometimes it is necessary to transfer an expense to another project or account or to correct a posting error. The University is required to maintain records supporting charges to all sponsored projects in accordance with the applicable federal regulations and with the terms and conditions of the sponsored agreement and University policies.

1. ***Policy***

Cost transfers must be *initiated* within 45 days from the original transaction date.

Cost transfers must be *completed* within 90 days after the original transaction date, prior to the submission of the final expenditure report to the sponsor, or prior the final request for reimbursement from the sponsor, whichever occurs first.

**If more than 90 days have passed** since the original transaction date a ***Cost Transfer Explanation & Justification Form*** signed by the PI, department head and grants and contracts administrator must accompany the cost transfer request. Supporting documentation justifying the lateness of the cost transfer should be attached to the form.

Approval for cost transfers submitted later than 90 days will only be granted in *extenuating* circumstances. Extenuating circumstances are described later in this document.

1. ***Procedures***

Cost transfers can be separated into three general categories: 1) personnel expenses; 2) supplies and services; and 3) scholarships. Each category of cost transfers are processed on different forms as show below:

* **Requests to transfer personnel costs** are initiated by one of the following ways. Complete [labor distribution (LD) change PAF](https://hrs.uni.edu/paf/ldc) (personnel action form) for faculty, graduate assistants and staff salary and other earnings. Complete a [retroactive SEAF](https://java.access.uni.edu/seaf/faces/seafHome.jspx;jsessionid=U9Sn-XJE1ShRz9Y7FcTEBYy4GRS1ZvDKJ-J8aQ_V1V7IE9WgS90p!860264151) (student employment action form) for student salaries.
* **Requests to transfer costs for supplies and services,** must be submitted via an adjustment journal entry submitted to the Office of Research and Sponsored Programs.
* **Requests to transfer scholarship costs** are initiated with a Student Roster**.**

Cost transfers are also categorized as either *standard* or *correcting*. Standard cost transfers are those that are regular reoccurring charges to an account. Examples of standard cost transfers include chargebacks and allocation of shared services, such as long distance telephone calls. Correcting cost transfers are completed to correct a posting error, to move a disallowed expense off an account, to reallocate effort to reflect actual effort, or to transfer pre-award costs from a department holding account when a [provisional account](https://rsp.uni.edu/provisional-account) was not established.

Expenses transferred to a sponsored project *must* be allowable to that project. In essence the expense must meet federal, sponsor specific and University guidelines as well as being reasonable, allocable, and consistently treated as a direct cost. Prior to initiating a cost transfer make sure the sponsor will reimburse UNI for the expense; sometimes expenses such as equipment or foreign travel are disallowed.

Each cost transfer must include the following:

* Each journal entry must transfer a specific expense and be identified on the journal entry as they were initially posted to a University account
* Explanation of why the expense was initially posted incorrectly\*
* Any systemic problems that might cause this error to be repeated have been addressed
* Back up documentation

**\*Explanations which merely state, “the transfer was made to correct an error” or “to transfer to correct project are not sufficient.”**

Examples of adequate documentation are as follows:

* “Monthly review by PI of effort reporting certification revealed error charging payroll expenses to grant. Support staff was not notified that grad student is assigned to another research project.”
* “To transfer pre-award project costs to the continuation account.”
* “Error made by transposing fund numbers caused the expense to be charged to the incorrect account.”
* “Continued funding from agency was expected to be under same grant but was assigned a different award number, requiring setup of new project. This transfer moves expenses to new project.”
* “Project start date is 01/2013 but final sign-off delayed availability in financial system until 06/2013. These costs were incurred during project period but charged to a non-grant fund.”

1. ***Additional information about cost transfers***

**Cost Transfers are NOT allowed for:**

* Deficit spending from one sponsored project to another sponsored project, unless approved in advance by Office of Research and Sponsored Programs
* Depleting account balances (e.g., transferring expenses that have no direct benefit to the project, *especially* during the last months of a project).
* Unidentified expenses or lump-sum expenses to an award.
* Expenses that were **not** incurred during the project period of performance, unless specifically allowed by the sponsor (these expenses do not meet the allocability test)

**Examples of Acceptable Extenuating Circumstances for Cost Transfers more than 90 days old:**

* Late issuance of an account number for reasons beyond the control of the requestor; supporting documentation required. **Note: charges should be transferred within 30 days of issuance of an account.**
* Award documents are issued late and PI started project prior to award execution or execution of a subcontract; supporting documentation required. In this instance it would have been better to establish a [provisional account](https://rsp.uni.edu/provisional-account).
* Failure of another department to take action, (e.g. on a properly submitted payroll distribution change request); supporting documentation required.

DO NOT include absences of PI or responsible administrator, nor shortage or lack of experience of staff as reason for a late cost transfer. The department head and the PI are responsible to ensure resources are available to properly administer sponsored projects.

**Avoid late cost transfers** by anticipating the possible need for additional clarification or documentation from the Office of Research and Sponsored Programs.

**Do not use** **a sponsored project accounts as a holding account** for expenses which will subsequently be transferred elsewhere. This includes competing or non-competing continuations of the same project for which the notice of award or the new account number has not yet been received.