



## **OP 61.06: Cost Transfer**

### **PURPOSE**

The purpose of this policy statement is to set forth the University's policy with regard to the transfer of expenditures to and from sponsored projects. Every effort must be made to correctly record expenditures to the appropriate sponsored projects when the original entry is made in the accounting records.

Occasionally, however, it may be necessary to transfer a cost to another fund to correct posting errors, or to transfer a cost to a closely related sponsored project, or to remove cost overruns. The University is required to maintain records supporting expenditures to all sponsored projects in accordance with the applicable Federal regulations and in accordance with the terms and conditions of the sponsored agreement. University policy 61.01, "Account Reconciliation Policy and Procedure" requires that departments perform a formal reconciliation of the accounting records periodically such that timely corrections can be completed within the timeframes outlined within the policy. For sponsored projects, the Principal Investigators, in conjunction with the fiscal staff in their organizational unit, are responsible for conducting ongoing reviews of the projects they manage to ensure the accuracy and appropriateness of all expenditures posted to those projects. The University does not prescribe the timing of the review process; however, the reviews must be timely enough to ensure compliance with the deadlines included in this policy.

A Cost Transfer is the reassignment (transfer) of a previous expense from one fund to another. Cost Transfers can include salary and non-salary expenditures. Examples include, but are not limited to the following:

- Transfer of pre-award costs
- Correction of clerical errors
- Reallocation of effort and other non-labor expenses where multiple projects benefited
- Routine allocation of shared services

Types of Allowable Cost Transfers may be necessary to:

1. Correct bookkeeping and clerical errors in original charge.
2. Properly allocate costs to the appropriate fund using a verifiable and reasonable method in accordance with cost accounting principles.
3. Transfer charges between funds supporting closely related work for reasons other than to cover overdrafts or to spend remaining funds.
4. Record expenditures for pending awards. If it is necessary to incur costs prior to receipt of an anticipated award, the Principal Investigator (PI) should complete a Preliminary Account Request Form and send to Office of Sponsored Projects (OSP) to request a tentative fund number from Sponsored Program Accounting (SPA).

### Types of Cost Transfers Not Allowable

1. Cost transfers to other sponsored projects for the purpose of eliminating budget overruns and avoiding restrictions. Such cost overruns must be transferred to an appropriate fund to assure that the expenditures are properly recorded for facilities and administrative (F&A) cost development.
2. Cost transfers to a fund for the sole purpose of expending the remaining balance.

### **POLICY**

The manager (department head, Institute or Center Director, etc.) of the organization responsible for the sponsored project fund where the cost or expenditure is being transferred TO is responsible for establishing internal control procedures to ensure the following:

- The costs are an appropriate and allowable use of such funds and have a direct benefit to the project
- The cost transfer has adequate documentation and justification
- The cost transfers are approved by a designated authorized approver for the organization's funds
- The cost transfer is made on a timely basis, i.e., within ninety (90) days, after the initial charge was recorded, and in all cases 30 days prior to the date the final report is due to the sponsor.
- The cost transfer has been made in consultation with and has been authorized by the Principal Investigator
- Cost Transfer Requests completed to distribute costs must be directly allocable to the project.

All cost transfers must be accompanied by written documentation indicating why the transfer is a necessary and appropriate charge to the project. A detailed explanation is required. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. If the transfer is more than ninety (90) days since the original posting date or after effort certification, the following additional written documentation is required:

- Why the transfer was not submitted in a timelier fashion and what steps will be taken to prevent this type of error from reoccurring in the future.
- How does the charge directly benefit the project and is the expense an allocable and allowable cost for this project?
- Documentation that changes have been discussed with and authorized by the principal investigator.

Constant or frequent transfers raise serious questions about their propriety as well as the overall reliability of the accounting system and internal controls. Departments are encouraged to perform a thorough review of expenditures prior to the last 30 days of the project end date. Departments completing an excessive number of cost transfers on a consistent basis may be recommended for a process/internal control review by Internal Audit.

The department with which the charge is affiliated is responsible for appropriately funding any cost transfer that is disallowable due to failure to meet requirements stated above. The department will be held financially responsible if any cost transfer is later disallowed during an audit.

## **REVIEW**

This policy will be reviewed by the Vice President for Research & Economic Development, the Vice President for the Division of Agriculture, Forestry, and Veterinary Medicine and the Vice President of Budget and Planning at least every four years.

**REVIEWED BY:**

/s/ Kevin Edelblute  
Controller and Treasurer

07/28/2016  
Date

/s/ Don Zant  
Vice President for Budget and Planning

08/11/2016  
Date

/s/ Greg Bohach  
Vice President for Agriculture, Forestry  
and Veterinary Medicine

0/04/2016  
Date

/s/ David Shaw  
Vice President for Research and Economic  
Development

08/08/2016  
Date

/s/ Timothy N. Chamblee  
Assistant Vice President and Director  
Institutional Research and Effectiveness

08/11/2016  
Date

/s/ Joan Lucas  
General Counsel

08/29/2016  
Date

**APPROVED BY:**

/s/ Mark Keenum  
President

10/11/2016  
Date