

Cost Transfers on Sponsored Projects

Summary:

The principal investigator (PI) on a sponsored project is responsible to ensure that only allowable, allocable, and reasonable costs are charged to a grant, contract, or other sponsored agreement. Costs should be charged to the appropriate sponsored project when first incurred. However, there are circumstances that may require transferring expenditures to a sponsored project subsequent to the initial recording of the expense.

Transfers of costs either into or out of a sponsored project account require monitoring for compliance with CU policy, Federal regulations, sponsor-specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects.

Federal agencies require grantees to have systems in place to detect and correct clerical, bookkeeping, or other posting errors within a reasonable time frame. To promptly identify costs that have been erroneously posted to a sponsored account, the PI or designated support staff should review and reconcile expenses at least on a monthly basis. Timely review of expenditures will help to correct errors and limit the number of cost transfers.

Cost transfers increasing a sponsored project's expenditures should be requested within 90 days after the month in which the cost was originally accepted in the university's financial accounting system. No time limit exists for removing inappropriate expenditures from a federally sponsored account. If an inappropriate expenditure is discovered on a federal project it must be removed regardless of a time limit.

A shorter cost transfer request period is necessary near the project end date. Final financial reports are typically due to sponsors 30 to 90 days after the project end date. This requires that all cost transfers must be completed no later than 60 days after the project terminates (unless the financial report is due in less than 90 days following project termination requiring an earlier fiscal closeout of the project). This earlier cutoff is necessary to promptly charge the project and not delay submission of the financial report. Transfer request on terminated projects may not be approved and will be reviewed by Contract and Grants Accounting on a case-by case basis.

Federal and other sponsor regulations require written justification, certified by a responsible university official (e.g., PI, authorized account signer) on all cost transfers that documents:

1. Why the error occurred resulting in the need for a transfer
2. What corrective action will be taken to avoid the error in the future
3. Why the cost transferred is allowable, allocable and a reasonable charge on the new account and
4. How the charge supports performance of the project scope of work.

Explanations that merely state that the transfer was made "to correct an error" or "to transfer to correct project" are not sufficient to justify new charges on a sponsored project account. Transfers from one sponsored project to another sponsored project to reduce cost overruns, to spend unused balances, to avoid restrictions imposed by law or agreement terms, or for other reasons of convenience are strictly prohibited by sponsors.

Requests transferring non-payroll expenditures to or from a sponsored project are supported by a non-payroll cost transfer request form. The general ledger identifying the original transaction to be moved should be attached along with any additional documentation supporting the correction.

Transfer of payroll expenditures to or from a sponsored project are processed and retained in the ERCR form.

Retroactive payroll adjustments may affect a previously certified effort report. Changes to payroll distribution of a certified report and time period previously accepted within effort reporting will result in a newly sequenced effort report requiring re-certification.

PROCEDURE

Responsibility: Principal Investigator

Action:

1. Initiate the [cost transfer request form](#) or an [ERCR](#) as applicable

Note: To ensure that the university is in compliance with these regulations, the PI is responsible for ensuring that expenditures are regularly monitored and that cost transfers are:

- a. Made within 90 days after the month in which the cost was originally recorded in the general ledger but no later than 60 days after the project terminates, **and**
- b. Supported by a written explanation that describes in detail why the transfer is necessary.

2. Explain specifically how the error or other circumstances occurred that would justify the cost transfer. Statements such as “to correct errors” or “to transfer to correct agency/org” are not acceptable.

If the transfer is a non payroll expense:

1. Attach a copy of the general ledger reflecting the transaction(s) to be corrected and any other documentation supporting the correction. The general ledger can be obtained from Dashboard.
2. Prepare the Journal Entry (JE) document, sign, and forward with the [cost transfer request](#) to Contract & Grants Accounting.

If the transfer is a payroll expense:

3. Prepare the [ERCR](#)
4. Explain specifically how the error occurred and include justification for the cost transfer.
5. Contract & Grants Accounting
6. Review and verify the transactions to be corrected
7. Validate appropriateness of transfer to new project code (object codes, period of time, available funds, etc.)
8. Review justification

If further justification is needed or the request is denied:

Return the original request form(s) to the principal investigator with an explanation.

If approved:

The Office of Contracts and Grants will complete the necessary entries to effect transfer of non-payroll expenses

The approved ERCR will be forwarded to Human Resources for approval and routing to Payroll.