

Sponsored-Projects Fiscal Management Guidelines

Procedures for Cost Transfers

PURPOSE

These procedures establish requirements for processing transfers of direct costs to or from sponsored agreements. The requirements are based on the 2 CFR 200 Uniform administrative requirements, cost principles and audit requirements for Federal awards (Uniform Guidance) and sound management practices. If a specific sponsored project agreement has different requirements than those outlined here, typically the sponsored agreement requirements will take precedence. These procedures apply to all federal and nonfederal sponsored agreements.

DEFINITION OF COST TRANSFER

Cost transfers occur whenever an expenditure is moved from one fund to another. The sponsored fund can be either the one receiving the charge (debit) or the one from which the charge is being removed (credit) or both.

PROCEDURES

Uniform Guidance, generally accepted accounting principles, and good management practices require that all costs incurred be appropriate to and for the direct benefit of the account charged, and that accounting records be maintained on a timely and accurate basis. Sponsored agreements should be monitored on an on-going basis for appropriate and accurate expenditures.

Cost transfers may occasionally be necessary to correct errors in the original charge, to remove unallowable costs, or for other reasons, such as adjustments of salary charges where the actual distribution of an employee's *effort certification report* differs from the budgeted distribution used to charge the funds. Examples of improper or unallowable cost transfers between or to sponsored project accounts could include:

- In order to use unexpended funds; unexpended sponsored funds must be returned to the sponsor at the close of a project, or an unused budget that is de-obligated by the sponsoring agency
- In order to alleviate over-expenditure; if overdrafts exist after the end date of an award, transfer of expenses should be made by removing the expense prior to the award closeout; if overdraft issues are not resolved, the Business Office will transfer excess charges to the departmental account
- or to temporary "loan" funds from another sponsored project

Each Principal Investigator is responsible for reviewing charges posted to respective sponsored project(s) in a timely manner to ensure compliance with Wittenberg policies, Uniform Guidance, and sponsor specific policies and guidelines, and the cost principles that guide fiscal activities on sponsored projects. This review should allow the Principal Investigators the opportunity to identify errors, omissions, or irregularities affecting their project(s), which should prompt cost transfer requests.

Cost transfers must be properly documented and processed within a reasonable period of time. The following requirements apply to sponsored project cost transfers:

1. The cost being transferred is a proper and allowable charge to the receiving fund (i.e., the cost benefits the project and is otherwise allowable under federal cost principles and/or other terms of the agreement).
2. The transfer is supported by documentation that clearly explains why the transfer is being made. The explanation must be sufficient for an independent reviewer (e.g., an auditor) to understand the transfer and conclude that it is appropriate. In some cases, this may be accomplished by a very brief statement (e.g., a transfer to correct a transposition error), while in others, a more elaborate explanation and justification and/or additional documentation may be needed. A statement that merely states "to correct error" or "to transfer to correct project" is not adequate.
3. A cost transfer must be accomplished only through the use of the *Cost Transfer Form*. The transfer document must be signed by the Principal Investigator certifying that the cost being transferred is a proper and allowable charge to the receiving fund.
4. Under no circumstances may expenditures be placed on a sponsored fund for reasons of convenience or funding availability with the intention that they will be moved to the proper fund (fund/sponsored project that benefited from the expense) at a later date.
5. The *Cost Transfer Form* should be submitted as soon as an error or a need for transfer is identified but no later than 90 days after the original charge. In some cases, as explained below, the transfer document must be submitted earlier than the normal 90 day maximum. All transfers to correct errors resulting in a credit to sponsored funds must be made regardless of timing. Any unallowable costs charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected. Cost transfer requests which appear to be unallowable, will not be approved.
6. Whenever a cost transfer involves funds in different departments, the transfer must be authorized by both departments, with signatures from both Department Chairs.
7. To the maximum extent possible, cost transfers related to a financial reporting period will be processed prior to submission of the financial report. Most agreements have a 90-day report receipt cycle.

The Business Office will review submitted *Cost Transfer Request Forms* for allowability and allocability of charges to the project in question. The document(s) will be returned to the originators if incomplete or transferred charges do not conform to the approved sponsored budget guidelines.

CONTACTS FOR QUESTIONS

Questions should be directed to the Business Office.

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