



WPI

Title: Cost Transfers on Sponsored Agreements

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Created: April 21, 2016

Updated: January 12, 2022

Overview:

Federal Regulations 2 CFR 200 provides guidance for determining the costs applicable to sponsored agreements. Within this guidance is the requirement that expenditures related to sponsored projects are properly allocated and documented. Faculty and staff must make every effort to allocate sponsored project costs to the appropriate project(s) at the time the costs are incurred. However, in certain circumstances, it may be necessary to transfer costs from one project to another, (a "Cost Transfer").

Any time you initiate a transfer, you invite the assumption that the initial transaction was not handled properly. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges.

Defining a cost transfer:

Journals are used to allocate expenditures or to make corrections of expenses that have already posted to the GL. Cost Transfers are an institutionally defined subset of the above that require additional approval and documentation.

Typically cost transfers are when a charge is moved onto a federally sponsored award. Some journals are not considered cost transfers such as some reclassifications within an award, corrections of IDC calculations, or expenditure postings such as tuition and fee uploads which are posted via a journal in Workday.

Procedures for cost transfers:

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness. Cost transfers should be initiated as soon as possible after the original transaction, preferably within 90 days of incurring the expense. Requests for transfers after 90 days will be considered only after careful review. The Institute is obligated to immediately remove incorrect charges made to sponsored funds, regardless of time frame.

Appropriate cost transfers for allowable direct costs of the sponsored project and their purpose is to:

- Correct errors in processing the original charges.
- Move costs between funds for closely related work (as defined by the project scope) that is supported by more than one funding source.
- Transfer pre-award costs

Inappropriate circumstances include, but are not limited to, the following:

- Transfers solely for the purpose of utilizing an unexpended balance.
- Transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored agreement.
- Transfers that circumvent pre- and/or post-award restrictions.
- Transfers that do not contain sufficient backup to demonstrate the transfer is allowable

Initiating a Cost Transfer

Cost transfers can be initiated by the PI or by a departmental staff member. In some instances, an accountant in the SPA office or Controller's Office can initiate the cost transfer in Workday on behalf of the PI or department requestor. Cost transfers are inputted into Workday by either an accounting adjustment, payroll accounting adjustment, or interdepartmental journal entry. The person entering the transfer will add in the corrected worktags and note the error.

Documenting a Cost Transfer

Each cost transfer request must be clearly explained with supporting documentation. The person initiating the transaction has primary responsibility for fulfilling these requirements and maintaining the related records. All records must be retained in accordance with the record retention requirements of the sponsored agreement and the University. Supporting documentation may be a part of the Workday accounting adjustment record, a prior payroll costing adjustments form, email. All cost transfers must have the PI's approval in Workday.

Explanations such as "to correct a clerical error" or "to transfer to a correct project" are not adequate for cost transfers over 90 days. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable. Generally, the older the charge the more involved the explanation of the transfer should be.

Approving a Cost Transfer

All cost transfers charging a federally funded sponsored award must be approved by the Principal Investigator of the award and a member of SPA. All other journal entries must be approved by a member of SPA, but may not require PI approval.

- PI - The PI will review all requests for allocability to ensure the request is within the programmatic scope of work and is necessary to carry out the project.
- SPA - A member of Sponsored Programs Accounting (SPA) will review requests for compliance with federal cost principles, allowability on the sponsored project, and WPI policy.

SPA's review of cost transfers ensures all transactions meet the below requirements. Future budget installments, additional time, and allowed budget variations may be taken into consideration.

- Is within the award period of performance

- Has available funding overall
- Has available funding in the budget line
- Is allowable under the federal cost principles, sponsor terms and conditions, and award specific restrictions, if applicable

**Please note - If a cost transfer request is not appropriate based on the above requirements or does not contain sufficient documentation or explanation, the request will not be approved and the PI will be responsible to find an alternate non-grant source for the expense. This applies to cost transfers both within and beyond the 90 day period.

Cost Transfer Requests Subject to the 90 Day Period

- Transfers to correct data entry or clerical errors to charge a research fund. Example: To correct data entry or transposition error: grant 12345-GR should have been 12354-GR.
- Transfer of expenditures from one sponsored fund to another sponsored fund.

Cost Transfer/Journal Requests Not Subject to the 90 Day Period

- Transfers of true overdrafts (from research awards to unrestricted funds). These transfers may be made in lump sum entries rather than identifying individual transactions. The federal government considers a true overdraft as cost sharing. It is critical that the function of the fund absorbing the overdraft is consistent with the function of the fund being relieved of the overdraft.
- Transfers of pre-award expenditures that were charged to a departmental fund, if the costs are allowable and allocable, and were incurred within 90 days before the beginning date of the award.
- Transfers within the same sponsored award to correct a worktag (grant, cost center, fund, spend category etc)
- Transfers of expenditures incurred and charged to a departmental, unrestricted, or other fund while awaiting the fully executed sponsored agreement.
- Transfer of an incorrect charge from a sponsored fund to a non-sponsored fund.
- Recurring and routine transfers to allocate direct expenses, such as telephone toll charges and service center recharges. The costs must be allowable, charged in a timely manner, and allocated based on the benefit derived.

Cost Transfers Made After the 90 Day Period

Cost transfers charging a federally sponsored award submitted after the 90 day period will be considered only after careful review and must include a justification for the lateness as well as an explanation indicating the measures that have been put in place to prevent future occurrences. A transfer of a charge to a sponsored fund made after 90 should contain the following statement and be authorized by the Principal Investigator or designee:

“By authorizing the above, requestor certifies that the cost to be transferred is an appropriate expenditure for the sponsored fund charged and that the expenditure complies with the terms and conditions governing that sponsored fund.”