Title: Cost Transfer Policy

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Overview

Federal regulations (2 CFR 200) establish the standards for determining allowable costs on sponsored agreements. These regulations require that all expenses charged to sponsored projects be properly allocated, allowable, and fully documented. Faculty and staff are expected to make every effort to charge expenses to the appropriate project at the time the cost is incurred.

In certain circumstances, it may be necessary to move an expense. When expenses are moved onto a sponsored award; this action is referred to as a *cost transfer*. However, initiating a cost transfer may raise concerns that the original transaction was not handled appropriately. As a result, transfers to sponsored projects are subject to a high level of scrutiny, particularly regarding the justification and supporting documentation.

Frequent or late cost transfers may indicate weaknesses in financial management and oversight and may result in additional review or approval requirements. WPI emphasizes accurate cost allocation at the time expenses are incurred to ensure compliance and reduce administrative burden.

Definition of a Cost Transfer

Journals—including manual journals, accounting adjustments, and payroll accounting adjustments—are used to allocate expenditures or correct expenses that have already been posted to the general ledger.

A *cost transfer* is an institutionally defined subset of these transactions which requires additional approval and documentation. Specifically, a cost transfer is defined as a charge that is transferred onto a sponsored award.

Certain journal entries are not considered cost transfers, including:

- Transfers made within the same sponsored award to correct worktags, such as grants, cost center, fund, spend categories, detail codes, or academic periods.
- Centrally generated tuition or health insurance expenses when the reallocation of tuition and insurance matches the salary distribution on the sponsored award.

To be permissible, cost transfers must meet criteria for both timeliness and appropriateness. Transfers should be initiated as soon as possible after the original transaction. Requests submitted more than 90 days after the Workday transaction date will be subject to heightened scrutiny and require additional justification.

WPI is obligated to promptly remove any unallowable or incorrect charges from sponsored awards, regardless of the time elapsed.

Appropriate and Inappropriate Cost Transfers

Appropriate cost transfers are those necessary to:

- Correct errors in the original transaction
- Transfer costs initially charged to a non-sponsored source while awaiting award setup or a funding increment
- Reallocate costs to accurately reflect the benefit received by a project

Inappropriate cost transfers include, but are not limited to:

- Transfers made solely to use unexpended balances
- Transfers intended to avoid a deficit by moving costs to another sponsored award
- Transfers that circumvent sponsor restrictions (pre- or post-award)
- Transfers lacking sufficient documentation to support allowability and allocability

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Initiating a Cost Transfer

Cost transfers may be initiated by the Principal Investigator (PI), departmental staff, or, in some cases, by Sponsored Programs Accounting (SPA) or the Controller’s Office on behalf of the requestor.

Transfers are processed in Workday using:

- Accounting adjustments
- Payroll accounting adjustments
- Journal entries

The individual initiating the transfer must ensure that the corrected worktags are entered and that the reason for the adjustment is clearly documented.

Documentation Requirements

Each cost transfer must include a clear, complete explanation and appropriate supporting documentation. A strong justification should explain:

- Why the expense is necessary, reasonable, and allocable to the project
- Why the original charge was incorrect
- Why the transfer is being requested

Well-documented justifications demonstrate that the transfer is driven by legitimate programmatic or technical needs, not convenience or the availability of funds.

The PI is ultimately responsible for ensuring that all cost transfers are appropriate and that supporting documentation is retained in accordance with sponsor and institutional record retention requirements. Documentation may include Workday entries, prior forms, or relevant correspondence. All cost transfers must have PI approval and should be able to “stand-alone” by providing sufficient evidence of the transaction being transferred and demonstrate allowability on the sponsored award being debited.

Cost Transfers After 90 Days

Cost transfers submitted more than 90 days after the original transaction require additional review and must include:

- A detailed explanation of why the transfer is late
- A description of corrective actions taken to prevent similar issues in the future

Transactions Subject to the 90-Day Rule (Additional Justification Required)

- Corrections of data entry or clerical errors debiting (charging) a sponsored award
- Transfer between two or more sponsored awards
- Transfers of expenses initially charged to a departmental, unrestricted, or other non-sponsored fund while awaiting an award modification if not submitted within 90 days of receiving SPA Notice of Award.

Transactions Not Subject to the 90-Day Rule

- Transfers of deficits from sponsored awards to unrestricted funds. These transfers may be recorded as lump-sum entries without identifying individual transactions.
- Transfers of pre-award expenses originally charged to a departmental fund, provided the costs are allowable, allocable, and incurred within 90 days prior to the award start date.
- Reclassifications within the same sponsored award
- Transfers of expenses initially charged to a departmental, unrestricted, or other non-sponsored fund while awaiting an award modification if submitted within 90 days of receiving the SPA Notice of Award.
- Transfers that move an unallowable or incorrect charge from a sponsored award to a non-sponsored award.
- Routine or recurring transfers used to allocate direct expenses, such as service center recharges, as long as the costs are allowable, processed in a timely manner, and distributed according to the benefit received.

Approval of Cost Transfers

All cost transfers involving federally sponsored awards must be approved by:

- The Principal Investigator (PI)
- Sponsored Programs Accounting (SPA)

PI Responsibilities:

- Confirm that the expense is allocable and within the scope of work
- Ensure the cost is necessary to carry out the project
- Upon requesting or approving a cost transfer the PI certifies that the cost being transferred is an appropriate expenditure for the sponsored award and complies with all applicable terms and conditions.

SPA Responsibilities:

- Review for compliance with federal regulations and institutional policy
- Confirm allowability and appropriateness of the transfer

If a PI or department submits frequent cost transfers or consistently provides inadequate supporting documentation, the cost transfer request will be escalated to the PI's department head or Dean for additional review and approval.

Rejected Cost Transfers

Cost transfer requests that do not meet the requirements outlined above, are excessively late, or lack sufficient justification or documentation, will not be approved. In such cases, the PI is responsible for identifying an appropriate non-sponsored funding source. If an alternate source is not provided, the charges will be moved to a PI or departmental fund.