

Cost Transfer Tip Sheet- Frequently Asked Questions (FAQs)

What is a cost transfer?

A cost transfer (CT) is a type of journal entry that transfers an expense onto a sponsored project that was previously posted to another account and requires approval before it can be posted to the sponsored project.

How do I avoid a cost transfer?

CTs can be avoided by ensuring prior to purchase or direct charging salary, that all items will directly benefit the project and by conducting a regular (monthly) post award review of transactions to immediately correct erroneous transactions. CTs can also be avoided by setting up, when appropriate, an at-risk account also referred to as a preliminary account. This will avoid the need to move costs at a later time.

What kind of cost transfers are allowed?

Below are some examples of circumstances where CTs are typically allowable:

- Correction of a clerical error often involving transposed or data entry
- Reallocation of payroll to reflect actual effort
- Transfers with written approval from the sponsor
- Reallocation of expenses that regularly post to a default account
- Removal of expenses from a sponsored project to an institutional account
- Transfer of payroll from a designated payroll clearing account
- Payroll incurred during the first month of the fiscal year as routing is updated
- Interdepartmental Transfers (IDTs) from University recognized cost centers

Below are examples of circumstances in which CTs **may not** be allowed:

- Transfer of expenses from an overspent sponsored project to another sponsored project
- Transfers to spend down a project
- Transfer of expenses incurred after project end date to another sponsored project
- Transfer of an expense that was previously transferred
- Transfer of expenses that originally posted more than 90 days ago

Why might these not be allowed? These types of transfers are subject to increased scrutiny, both internally and externally, because they can demonstrate a lack of proper stewardship of sponsored funds. Significant documentation and justification will be required to justify an expense that may appear to fall into any of these categories.

Below are examples of typical circumstances in which CTs **will not** be allowed under any circumstances:

- Costs that benefit one sponsored project charged temporarily on another sponsored project
- Transfers which do not explain why the error occurred and how the expense is appropriate to post to the project to which it is being moved
- Transfers initiated after the final financial report/invoice has been submitted to sponsor

These lists are **not** exhaustive, and many situations may arise which could require a CT. If you are unsure if your transfer is allowable, please reach out to your OSRA contact to discuss your situation.

Do I need a Cost Transfer Form?

A Cost Transfer Form (CTF) is required when an expense is posting to a sponsored project from another account and is not occurring within allowable and expected parameters of normal institutional functions.

Below are examples of actions which **do not** require a CTF:

- Removal of expenses from a sponsored project to an institutional account
- Payroll incurred during the first month of the fiscal year as routing is updated
- IDTs from University recognized cost centers
- Adjustments to correct object codes on same account/support account
- Transfer of salary/wages from a payroll clearing account to a sponsored project, provided that the transfer is completed within the next calendar month.
- Transfer of salary/wages based on an approved Costing Allocation that began routing before payroll calculation, when transferred within a month of its original posting
- Transfer of salary/wages from default account to a sponsored project that posted in the first month of a fiscal year, when transferred within a month of its original posting
- Adjustments between support accounts, if the PI is the same on all SAs involved.
- Correction of an erroneous transaction within the next calendar month of the original expense.

What kind of documentation do I need to include with my transfer?

If you are routing a transfer that requires a form, you must include documentation to support the original expense. For example: receipts, IDT forms, invoices, travel reports, or other supporting information, if applicable. Because DCRs and PCTs routed electronically through

Canopy include all relevant FAMIS documentation regarding the original posting, you may consider the DCR/PCT itself as part of your documentation record for the purposes of completing this requirement, unless the DCR/PCT does not contain the original posting information. Manual transfers via Journal Entry should also include screenshots from FAMIS/Canopy of the original posting.

If you are routing a transfer that does not need a form, simply include a note with your DCR, PCT, or Journal Entry so that the approving personnel can understand the transaction.

Does the PI need to sign the form?

The PI may delegate the handling of CTs and other fiscal duties to departmental research administrators, at their discretion. However, the PI **must** sign the form if the transfer is occurring after 90 days (also known as a late transfer).

How are 90 days counted?

90 days means 90 calendar days from the first of the month following the month in which the charge was originally posted. For example, if the original charge posted on 1/10/18, 90 calendar days are count from 2/01/18 to 4/31/2018.

Please see the table below to illustrate:

Month Expense Originally Posted	Over 90 days (late)
January	May
February	June
March	July
April	August
May	September
June	October
July	November
August	December
September	January
October	February
November	March
December	April

Examples for Completing the Cost Transfer Form

Listed below are several examples of cost transfer documentation that do not sufficiently justify the cost transfer, a description of the improvements needed in the documentation, and a suggestion as to how the description could be improved.

1. Questionable explanation: *Transfer of supplies that were charged to the department in error.*

Issue: This explanation does not adequately explain why the wrong account was charged and why /how the charge is appropriate to the account being debited, nor does it describe how the error occurred. The explanation should be expanded to better describe the reason why the account being charged is appropriate and how the amount being transferred was determined.

Acceptable explanation: *The supplies being transferred were purchased using a procurement card (p-card). The administrative assistant did not review the p-card transactions by the deadline, causing the transactions to be expensed to the department account. Going forward, the administrative assistant will review all p-card purchases and assign the correct account number, if applicable, to be charged prior to the deadline.*

2. Questionable explanation: *Transfer of overage to related project.*

Issue: This explanation does not adequately justify how the expense was benefiting the account being charged nor why expenses were not allocated between the projects originally.

Acceptable explanation: *The supplies to be transferred are used on related projects. Supplies should be shared equally on both projects; thus 50% of the cost of these items is being transferred.*

3. Questionable explanation: *To correct account incorrectly charged due to clerical error.*

Issue: Insufficient explanation of why and how the clerical error occurred and why the error was not corrected earlier. In general, this explanation is only adequate if a transposition error occurred and such circumstances should be included in the description.

Acceptable explanation: *The research assistant in the lab who ordered the supplies used an account number of a project that was terminated. He has been instructed to use the new account number. In the future, all supply orders will be reviewed and approved by an appropriate department administrator prior to submission of the order so that such errors can be prevented.*

4. Questionable explanation: *Payroll appointment form was not processed in time.*

Issue: The explanation does not adequately address why the payroll appointment was not processed in time. The description should be expanded to better explain the circumstances of the delay in processing the appointment and the specific plan to avoid such occurrences in the future.

Acceptable explanation: *The administrator was informed of a faculty member's effort distribution change after the deadline for payroll appointments for the January payroll. The faculty member has been requested to communicate changes in effort in a timelier manner in the future in order to avoid such circumstances.*

5. Questionable explanation: *To charge a portion of the lab technician's salary to the project.*

Issue: The reason for the transfer is missing and there is no indication of why the payroll appointment was incorrectly made at the time the charge was generated. The description should be expanded to include a description of the individual's role on the project, the portion of salary being moved, and how the portion of the salary was determined.

Acceptable explanation: *Transfer 50% of the lab technician's salary to Dr. Smith's project. This individual performed experiments with mice and split his time equally between Dr. Smith's NIH project and his NSF project. We have talked with the lab technician and Dr. Smith to ensure that more information about the projects is shared in the future, which will better ensure that no such errors will occur in the future.*

6. Questionable explanation: *Move charge from department.*

Issue: The reason for the transfer is not stated. The description should be expanded to explain how the charge benefits the grant being charged and why the charge was not originally posted to the grant.

Acceptable explanation: *The start date of the grant was December 1. However, the account number was not established in the accounting system until January 15. The PI needed to purchase some materials to begin work on the project in December, thus the costs for the materials were charged to the department until the account was established. In the future, we will request an advance account for such charges.*