

Policy on Cost Transfer

RESEARCH

Effective Date: June 2009

Date Revised: December
22, 2014

Supersedes: N/A

Related Policies: N/A

Responsible

Office/Department: Office
of Research Administration
and Finance

Keywords: Principal;
Investigator; eligibility;
allowable costs; original
charge; cost overrun

I. Purpose and Scope

The University has a stewardship responsibility for all sponsored funds. Proper management of sponsored project expenditures is essential to meet this obligation. Therefore, the following policy will be consistently applied to all sponsored project agreements.

II. Definitions

For purposes of this policy,

Original Charge means the first posting of a cost to the general ledger, initiated by payroll charges, purchase orders or check requests (and the purchasing card).

Cost Transfer means any subsequent transfer of the original charge to another cost center.

III. Policy

The University recognizes that cost transfers are sometimes necessary to correct bookkeeping or clerical errors in the original charges and to allocate closely related work that may support more than one project.

However, frequent, late, and inadequately explained transfers – especially those involving projects with cost overruns or unexpended balances – raise serious questions about the propriety of the transfers and call internal fiduciary controls into question. This may result in audit disallowances and monetary paybacks including penalties and fines.

Original charges should be directed to the appropriate benefiting sponsored project. If it is necessary to request a cost transfer that involves a sponsored project, requests should be made promptly using the Cost Transfer Form, and must contain supporting

documentation and justification sufficient to stand the test of a formal audit. Under no circumstances may costs that benefit one sponsored project be charged temporarily to another sponsored project. Sponsored project costs that cannot be immediately charged to the appropriate project for any reason may be charged to a non-sponsored cost center and transferred to the appropriate sponsored project at the earliest opportunity. Failure to adhere to this policy will result in improper financial reporting to and inappropriate reimbursement from the sponsor.

Under this policy the Principal Investigator (PI) is expected to review expenditure activity regularly for allowability under the terms of a sponsored agreement. Allowable costs are defined in Uniform Guidance Subpart E- Cost Principles, in the sponsor's published guidelines, and in the sponsored agreement itself. If it is determined that a transaction has been charged to a sponsored project in error, the PI or designee must prepare and sign a Journal Voucher and Cost Transfer Form and submit it to the Accounting Office for review. All transfer requests must contain sufficient supporting documentation, explain why the error was made and describe why the expenditure is appropriate for the project to be charged. Cost transfers should be processed within 120 days of the date of the original transaction

Auditors and sponsors will flag as suspicious cost transfers with the following characteristics:

- Costs transferred long after the original charges were recorded
- Transfers supported by inadequate documentation or justification
- Transfers made at the end of a project that relieve cost overruns or spend out a project

IV. Additional Information

Exceptions to this policy may be made with the prior approval of the Senior Vice Provost for Research (or designee), who will designate an appropriate structure for administrative support and oversight for any non-faculty Principal Investigators. Requests for exceptions may only be referred to the Senior Vice Provost for Research (or designee), by the Dean of the College in which an award will be housed.

V. Contact Information

Associate Vice Provost for Research Administration
Office of Research Administration and Finance
960 RP
617-373-5600