

**Purpose**

The purpose for the Policy is to provide guidance to Principal Investigators and others responsible for the administration of sponsored projects on the requirements related to salary and non-salary cost transfers to assure compliance with regulations, sponsor terms and conditions, and applicable cost principles.

**Policy**

Cost transfers are closely scrutinized by the federal government. The expectations associated with cost transfers are outlined in a number of federal regulations including OMB Circular A-21 and specific agency policies on cost transfers (i.e. NIH Grants Policy Statement).

To address improper cost transfers OMB Circular A-21, Cost Principles for Educational Institutions, Section C.4.b states that "[a]ny costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience."

The following examples illustrate improper and unallowable cost transfers between or to sponsored project:

- a. To utilize unexpended funds.
- b. To avoid or alleviate an over-expenditure.
- c. To move a cost that is unallowable on one project to another.
- d. To circumvent award restrictions.
- e. To reimburse a temporary "loan" of funds from another sponsored project.

[://www.whitehouse.gov/omb/assets/omb/circulars/a021/a21\\_2004](http://www.whitehouse.gov/omb/assets/omb/circulars/a021/a21_2004).

It is the policy of the University that grant expenditures be charged to the appropriate sponsored project when first incurred. However, there may be circumstances in which it is necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Such transfers require monitoring for compliance with IIT policies, federal regulations, sponsor specific policies and guidelines, and the cost principles that guide fiscal activities on sponsored projects.

Cost transfers require the following:

- a. Conform to University and sponsor policies as well as federal and state regulations. Expenditures must be allowable, allocable, reasonable and consistent.
- b. Timely – cost transfer requests should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days after the original posting is made and/or within 30 days of the project end date, whichever comes first. Generally, cost transfers requests are processed for expenditures incurred during the current fiscal year only. Certain exceptions may apply and are at the discretion and subject to approval by Grant and Contract Accounting office.
- c. Fully documented – cost transfers must contain a justification that clearly shows:
  1. How the expense directly benefits the receiving project.  
The expense is allowable and allocable to the new sponsored project.
  2. There are no restrictions which preclude this transfer (i.e., restrictions on travel or equipment).
  3. The transfer complies with all IIT policies.
  4. The reason why the expense was charged incorrectly to the initial cost object (FOAP).
  5. The reason for any delay in a timely processing of the transfer - for cost transfers older than 90 days of the accounting date, the justification must include an explanation why the cost is being transferred more than 90 days after original posting date.
  6. Any systemic reasons which might cause this problem to be repeated have been addressed – for cost transfers older than 90 days what corrective action has been taken at the departmental level to eliminate the need for cost transfers of this type in the future.
- d. Have appropriate approvals - transfer was reviewed by a knowledgeable person, usually the Principal Investigator.

The justification must answer the questions of **who, what, where, when and why**.

Cost transfer requests are required to be initiated using the Request for Cost Transfer form (non-salary expenditures)

[://www.iit.edu/policy\\_procedures/forms/ga\\_request\\_for\\_cost\\_transfer\\_form](http://www.iit.edu/policy_procedures/forms/ga_request_for_cost_transfer_form)., Request for Redistribution form (salaries)

[://www.iit.edu/policy\\_procedures/forms/pay\\_request\\_for\\_redistribution](http://www.iit.edu/policy_procedures/forms/pay_request_for_redistribution)., and/or Payroll/Personnel Authorization (PA) form

[://www.iit.edu/policy\\_procedures/forms/pay\\_payroll\\_authorization\\_form](http://www.iit.edu/policy_procedures/forms/pay_payroll_authorization_form). All questions listed on the Request for Cost Transfer form are required to be answered in detail. If applicable, the 90 days certification box is required to be marked. For cost transfers where original charge was posted more than 90 days, the Cost Transfer Explanation and Justification form may be required if certification statement was not listed on any other form submitted with transfer request. All

cost transfer forms are required to be supported with proper documentation.

Any improper costs charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected. While it is not appropriate to transfer unallowable costs between sponsored projects, as specifically described in OMB Circular A-21, the Principal Investigator or departmental grant administrator should request a cost transfer from a sponsored project to another non-restricted cost center (i.e. departmental FOAP). Transfer requests which appear to be improper or otherwise unallowable, will not be approved by GCA.

If an unallowable expenditure is not removed from the sponsored project within 30 days of discovery, Grant and Contract Accounting will automatically charge respective departmental account/FOAP; department will be notified prior to transfer.

Sponsors may have more restrictive guidelines on cost transfers. Departments should consult Grant and Contract Accounting when in doubt about the adequacy of a proposed cost transfer.

#### **Definitions**

A cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another sponsored project or a non-sponsored account (FOAP). Cost transfers include salary and non-salary expenditures. Cost transfers consist of charges created in departments, labs, or centers, clerical error corrections, transfers between tasks of the same sponsored project, assignment of a portion of the cost to a sponsored project (split cost), salary reallocations to reflect accurate time and effort, removal of disallowed costs, and clearing overdraft at the end of the project. When an expense is originally charged to a grant, a certification is made it is allowable, allocable and directly benefits the project. A cost transfer invalidates the original certification.

#### **Procedures**

##### **Cost Transfers Procedure (Non-Payroll)**

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

## **INITIATING COST TRANSFER**

Cost transfer requests are required to be initiated using the Request for Cost Transfer form (non-salary expenditures)

[://www.iit.edu/policy\\_procedures/forms/ga\\_request\\_for\\_cost\\_transfer\\_form](http://www.iit.edu/policy_procedures/forms/ga_request_for_cost_transfer_form). All questions listed on the Request for Cost Transfer form require an answer in detail. If applicable, the 90 days certification box is required to be marked. For cost transfers where original charge was posted more than 90 days, the Cost Transfer Explanation and Justification form may be required if certification statement was not listed on any other form submitted with transfer request. All cost transfer forms are required to be supplemented with proper documentation. Examples of documentation supporting cost transfer include:

- a. copies of invoices, vendor checks, P-card receipts and/or statements, campus service unit billing
- b. financial reports showing original transaction posting
- c. Banner system records/print-screens
- d. description of cost allocation methodology
- e. notes/memos and other documents

## **TRANSFERS BETWEEN OR TO A SPONSORED PROJECT**

The PI or department grant administrator are require to fill out the electronic Cost Transfer form, attach supporting documents, and submit cost transfer request to Grant and Contract Accounting for processing. Examples of supporting documentation are listed above.

## **PROCESS**

- a. As soon as errors are identified and no later than 90 days after the end of the accounting month in which the transaction journal has posted, the Principal Investigator or other responsible individual (department grant administrator) will submit the completed, signed and dated Request for Cost Transfer form to Grant and Contract Accounting office.
- b. For cost transfers associated with transactions posted more than 90 days, all questions listed on the Request for Cost Transfer form are required to be answered in detail to meet the cost transfer justification requirements.
- c. Relevant supporting documentation is required to be provided with cost transfer request form(s).
- d. Grant and Contract Accounting will review submitted request for allowability and allocability of charges to to the project in question, and completeness and accuracy of paperwork. The paperwork will be returned to the originator if incomplete or transferred charges do not conform to the approved sponsor budget.
- e. Grant and Contract Accounting will analyze the proposed changes, will prepare a journal entry and will enter identified corrections into the Banner Finance system.

All grant-related cost transfer requests are required to be submitted to Grant and Contract Accounting office, Main Building, Room 502.

## **Salary Reallocations Procedure**

### **GENERAL PROVISIONS**

The distribution of salary charges for University personnel should be a reasonable reflection of the employee's effort. Careful consideration must be given to personnel allocations to ensure that projects that benefit are charged properly at the outset and that further adjustments are not required. Salary distributions should be reviewed on a regular basis to eliminate frequent cost transfers.

For a Salary Cost Transfer to be permissible, it needs to meet the criteria of both timeliness and appropriateness. Salary cost transfers are required to be processed immediately after the error is identified and not later than 90 days after the end of the accounting month in which the transaction journal has posted. Each salary cost transfer must be clearly explained with supporting documentation. The PI or designee has the primary responsibility for fulfilling these requirements and providing appropriate documentation.

### **INITIATING COST TRANSFER (Salary)**

Cost transfer requests are required to be initiated using the Request for Redistribution form [://www.iit.edu/policy\\_procedures/forms/pay\\_request\\_for\\_redistribution.](http://www.iit.edu/policy_procedures/forms/pay_request_for_redistribution), and/or Payroll/Personnel Authorization (PA) form [://www.iit.edu/policy\\_procedures/forms/pay\\_payroll\\_authorization\\_form.](http://www.iit.edu/policy_procedures/forms/pay_payroll_authorization_form) For cost transfers where original charge was posted more than 90 days, the Cost Transfer Explanation and Justification form may be required if certification statement was not listed on any other form submitted with transfer request. All cost transfer forms are required to be supported with proper documentation. Examples of documentation supporting cost transfer include:

- a. copy of approved by the sponsor award budget and budget justification
- f. copy of Income Tuition Voucher document
- g. labor and/or financial reports
- h. Banner system records/print-screens
- i. description of cost allocation methodology
- j. notes/memos and other documents (inter-departmental correspondence, correspondence with central office).

### **PROCESS**

- a. As soon as errors are identified and no later than 90 days after the end of the accounting month in which the transaction journal has posted, the Principal

- Investigator or designee will complete the Request for Redistribution form, secure required departmental approvals and submit the completed form to Grant and Contract Accounting office, Main Building, Room 502.
- b. For cost transfers associated with transactions posted more than 90 days, the Cost Transfer Explanation and Justification form are required to be completed and submitted with the Request for Redistribution form. All questions on this form are required to be answered in detail to meet the cost transfer justification requirements.
  - c. Payroll/Personnel Authorization (PA) form may be used in lieu of cost transfer request if both prior and future pay-periods distribution will require distribution change.
  - d. Relevant supporting documentation as described above are required to be provided with cost transfer request form(s), including complete justification.
  - e. Grant and Contract Accounting will review submitted request for allowability and allocability of charges to receiving project, and completeness and accuracy of paperwork. The paperwork will be returned to originator if incomplete or transferred charges do not conform to the approved by the sponsor budget.
  - f. Grant and Contract Accounting will analyze the proposed changes, prepare a journal entry, and will enter new salary distribution into the Banner HRS system, based on submitted by the PI redistribution request.
  - g. GCA will update the Time and Effort reports based on new salary distribution schedule for affected periods and will distribute these reports for re-certification.

Do not use the Request for Redistribution form for any expenses that have not yet been incurred.

#### **Guidelines**

#### **ISSUES RELATED TO COST TRANSFERS**

**Advance or Pre-award costs** – for the effective and economical conduct of a sponsored project it is sometimes necessary for costs to be incurred prior to receipt of the award document and actual funding. The majority of sponsoring agencies do allow for a 90-days pre-award spending. In such cases departments/Principal Investigators should process an Advance Expenditure Authorization Request form through the Office of Sponsored Programs and Research [://www.iit.edu/policy\\_procedures/forms/gca\\_advance\\_expenditure\\_authorization\\_form](http://www.iit.edu/policy_procedures/forms/gca_advance_expenditure_authorization_form). The advance or pre-award FOAP will become a permanent project number when the award is effective and no cost transfers will be required or necessary. Pre-award costs must be charged to a pre-award account and may not be placed on an unrelated award and later transferred to the benefiting project.

**Costs benefiting more than one project** – A cost benefiting more than one project should be allocated at the time of the expenditure in proportions that can be approximated through reasonable methods. At no time should a sponsored project be used as holding account for costs

that will subsequently be transferred elsewhere.

**Continuation Costs** – if a continuation budget is anticipated after the end date of the current award year/segment (multiple-year awards) or a continuation award is expected after the end date of the project, costs may continue to be charged to the current active FOAP if approved in accordance with IIT’s Advance Expenditure Authorization Policy (this is not required on multi-year awards).

**Overdrafts** – An overdraft exists if after the end date of an award expenses exceed funding. A transfer of expenses should be made by removing the expense prior to the award closeout (30 days from award end date). If Principal Investigator fails to address an overdraft, to resolve the deficit, Grant and Contract Accounting will transfer excess charges to the departmental account/FOAP in accordance with IIT’s Grant Deficit Policy. [Attach link to policy.](#)

**Close-out of Sponsored Project** – Principal Investigators and departmental administrators overseeing sponsored projects should be particularly careful to manage and monitor their expenses to avoid incurring costs that are not allowable, allocable and reasonable. If uncertain about the allowability of expenses Principal Investigators and departmental grant administrators should review award agreement and/or contact Grant and Contract Accounting for clarification prior to charging the award.

**Unexpended balances** – It is improper to transfer costs to a sponsored project for the sole purpose of using unexpended sponsored funds. Unexpended sponsored funds must be returned to the sponsor at the close of the project. In many cases, the unexpended funds are simply an unutilized budget, which is de-obligated by the sponsoring agency once final financial reporting is submitted. Exceptions include fixed price contracts, agreements allowing carry-forward of funds, and agency-approved no-cost extensions.

## **EXTENUATING CIRCUMSTANCES**

Approvals of cost transfers submitted later than 90 days will be granted only in extenuating circumstances. These circumstances do not include absences of PI or responsible administrator, nor shortage or lack of experienced staff. Acceptable extenuating circumstances may include:

- a. Delayed issuance of a notice of grant award or full execution of an agreement or subcontract subsequent to the start of a budget year or other period of performance. Supporting documentation is required
- b. Failure of a timely response in another unit when supporting documentation has been properly submitted i.e. a properly submitted payroll distribution change request. Supporting documentation is required.
- c. Transfer of expenditures to a sponsored project where the appropriate account could not be activated timely before the start date of the project.

## **OTHER CONSIDERATIONS**

**Departmental Suspense Accounts** – In instances where a sponsored project is approaching its expiration date and after the official award end date is reached, the salaries and other charges will be automatically re-routed through the Banner system to a department operating account. It is the responsibility of the department to manage respective charges and assure timely clearing of expenses from those accounts (cost transfer to appropriate FOAP).

### **References**

[Circular A-](#), Cost Principles for Educational Institutions

### **Responsibilities**

NA

### **Required Forms**

Request for Payroll Redistribution

[://www.iit.edu/policy\\_procedures/forms/pay\\_request\\_for\\_payroll\\_redistribution](http://www.iit.edu/policy_procedures/forms/pay_request_for_payroll_redistribution).

Cost transfer Form

[://www.iit.edu/policy\\_procedures/forms/gca\\_cost\\_transfer\\_form](http://www.iit.edu/policy_procedures/forms/gca_cost_transfer_form).

Payroll/Personnel Authorization

[://www.iit.edu/policy\\_procedures/forms/pay\\_payroll\\_authorization\\_form](http://www.iit.edu/policy_procedures/forms/pay_payroll_authorization_form).