APPLICABILITY
These guidelines apply only to cost transfers to or between sponsored projects.

GUIDELINES
Research costs should 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 transactions require monitoring for compliance with federal regulations, sponsor specific guidelines, and the cost principles that govern fiscal activities on sponsored projects.

In order for a cost transfer journal entry to be posted, journals should be sent to Grants & Contracts Accounting (GCA) within 120 days of the original charge. Transfers after the 120 day period should only be requested in extenuating circumstances and must be supported with convincing evidence that the goods and/or services are properly allocable and include an explanation of the reason for the late transfer request. Transfers will not be approved unless they are compliant with all applicable regulations.

WHY THE GUIDELINES ARE IMPORTANT
Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring:

- Frequent cost transfers.
- Late cost transfers.
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances.

Inappropriate transfers may result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency. Abuse of cost transfers may also result in more severe sanctions, fines, penalties and audit findings applied against the University.

GENERAL
It is recognized that occasionally it may be necessary to transfer costs to sponsored projects. Careful consideration of necessity and propriety must be undertaken when considering transferring costs to a sponsored project. The provisions of OMB Circular A-21 specifically permit some cost transfers while other cost transfers are definitely improper and unallowable. Both "improper" and "proper" cost transfers are discussed in greater detail below.

Improper Cost Transfers
OMB Circular A-21 (Cost Principles for Educational Institutions), Section C.4.b states: "Any 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."

This regulation specifically describes transactions that would be considered improper cost transfers between sponsored agreements.

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

- A transfer for the sole purpose of utilizing unexpended funds.
- A transfer for the purpose of circumventing award restrictions.
• A transfer for the purpose of reimbursing a temporary "loan" of funds from another sponsored project.

**Proper Cost Transfers**
Generally, A-21 recognizes the need to make a cost transfer involving a sponsored project in either of the following instances:
- When the transfer represents an adjustment to correct an erroneous charge.
- When the transfer is for the purpose of assigning a portion of a cost to a sponsored project (split purchase).

These allowable cost transfers will be discussed in greater detail below.

**Payroll Cost Transfers**
A salary cost transfer means the movement of payroll expenses (salaries and benefits) from one funding source to another. The distribution of salary charges for university personnel should be a reasonable reflection of the employee’s effort. Careful consideration should be given to personnel allocations to ensure that sponsored projects that benefit from the effort are charged properly at the outset and that adjustments are minimized.

In cases where changes in funding were not anticipated and result in the need to adjust salary payments, adjustments should be made within 120 days (or within 30 calendar days of the expiration date for projects that have ended). Should a difference in salary distribution and actual effort be determined during the Effort Reporting certification process, an adjustment will be made at the time of Effort certification.

**Non-Payroll Cost Transfers**
Non-payroll cost transfer journal entries should be made promptly after the error is detected and within 120 days (or within 30 days of the end date for expired projects).

Examination of the project transaction activity in a timely fashion by the PI or financial contact will permit early detection of erroneous charges. Cost transfers which represent correction of erroneous charges usually are the result of clerical or bookkeeping errors.

A journal entry shall be submitted to GCA (fsresearch@byu.edu) in order to correct an erroneous charge. An explanation should be submitted with the journal entry on which costs are being transferred to a sponsored project. Copies of all relevant documentation must be attached to support the explanation (e.g., requisitions, purchase orders, explanatory memoranda, etc.). GCA shall determine the adequacy of the justification and documentation before processing the journal.

**Split-Funded Expense**
A particular expense may have direct benefit to more than one activity, e.g., the expense may benefit more than one sponsored project or it may benefit a sponsored project and another institutional activity. In cases where it is appropriate to split the funding, the supporting documentation should detail which operating units should be charged in what amounts. There should be a note explaining the reasonable method used to split the costs in the manner shown. Copies of all relevant documentation should be attached to support the explanation.

**Cost Transfers Received after Deadlines**
Cost transfer journal entries received after the deadlines specified above will be processed only in extenuating circumstances. The reasons for requesting and submitting a cost transfer after the deadlines specified above must be documented in detail. The PI and requester assume the responsibility for documenting that the late transfer is appropriate, necessary and properly allocable to the award.

**NOTE:** Any improper cost charged to a sponsored project must be removed from the sponsored project regardless of when the error is detected. In cases when the error is detected after the limits of this cost transfer policy and there are not extenuating circumstances, the costs can only be moved to a non-sponsored
account. If GCA becomes aware of an inappropriate charge on a sponsored project, the department will be notified to initiate a transfer to a non-sponsored account. If this transfer is not taken care of within a reasonable amount of time, GCA will transfer the charge to an appropriate departmental account.

**Issues Related to Cost Transfers**
The situations detailed below are often encountered in the administration of sponsored projects. The proper treatment of these situations will generally preclude the need for cost transfers. GCA can provide guidance and assistance when these issues arise.

**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. In such cases, departments should work with ORCA to set up a preliminary operating unit. The pre-award operating unit will become the permanent project number when the award is effective and no cost transfers will be required or necessary.

**Continuation Costs.** If a continuation award is anticipated after the end date of the project, costs may continue to be charged to the current active research project for three months after the end date. That time period should be sufficient to allow the awarding agency to extend the project and will prevent unnecessary cost transfers. Confirmation by ORCA or documentation from the sponsor indicating the expected extension is required. Please note that in the event that the continuation is not granted, the principal investigator is responsible to cover the costs incurred from a non-sponsored account.

**Close-out of Sponsored Project Cost Centers.** 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. Principal investigators and departmental administrators should review the award agreement and/or contact ORCA or GCA if they are uncertain about the allowability of a certain expense prior to charging the sponsored project.

If unallowable costs have been incurred, they must be removed from the project and charged to an appropriate account following the procedures previously outlined. Generally, costs incurred beyond the project end date are not allowable.

**Unexpended balances.** It is expressly unallowable to transfer costs to a sponsored project for the sole purpose of using unexpended sponsored funds. Unexpended sponsored funds must, in many cases, be returned to the sponsor at the close of a project. Exceptions may be fixed price contracts, agreements allowing carry-forward of funds, and agency-approved no-cost extensions. For clarification of the terms of a specific sponsored agreement contact ORCA.