

## **Guidelines Cost Transfers to Sponsored Projects**

### ***Purpose***

These guidelines promote the use of cost transfers in a manner consistent with DePaul's stewardship responsibility for all of its sponsored funds.

### ***Definition***

A cost transfer is an after-the-fact reallocation of costs to a sponsored project.

### ***Need for These Guidelines***

DePaul has a stewardship responsibility for all of its sponsored funds, and proper management of sponsored project expenditures is essential to meet this obligation. Although transferring costs to sponsored projects is sometimes necessary, cost transfers that are frequent, late, or inadequately explained may raise questions about the University's ability to manage its sponsored funds effectively.

In addition to its general stewardship responsibilities, DePaul must conform to a number of specific federal criteria regarding the handling of cost transfers. For example:

- [OMB Circular A-21](#) cautions against shifting costs to a sponsored project "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" (Section C.4.b.).
- The [NIH Grants Policy Statement](#) stipulates that cost transfers should only occur to correct "clerical or bookkeeping errors," should be "accomplished within 90 days," and are to be "supported by documentation that fully explains how the error occurred." (Part II, Subpart A).
- The [OMB Compliance Supplement](#) advises auditors to review cost transfers for allowability and advises that numerous cost transfers could be an indication of poor internal controls and might result in a noncompliance finding.

Failure to meet such criteria can result in disallowance of the expenses involved and sanctions against the University that include fines or loss of certain authorities.

### ***Factors Affecting the Appropriateness of Cost Transfers***

As the above examples suggest, multiple factors must be considered in determining whether a requested cost transfer is appropriate. These include:

- **Timeliness**--In order to be timely, cost transfers should be completed within 90 days of the original transaction.
- **Reason for the Cost Transfer**--Cost transfers should be initiated to correct clerical or bookkeeping errors, not to address surpluses or deficits in sponsored accounts.
- **The Explanation/Justification Provided**--A detailed explanation/justification that is specific to the expense item is needed. (See the procedures below.)

- Frequency of Cost Transfers—Frequent requests for cost transfers may indicate the need for improved financial management practices.
- General Standards of Reasonableness, Allowability, and Allocability—Cost transfers must meet the same cost standards that apply to original charges to sponsored accounts. For example, a cost must clearly benefit a sponsored project in order to be transferred to it.
- Guidelines Specific to the Sponsor or the Sponsored Agreement—In some cases, expenditure guidelines that are unique to the sponsor or a particular sponsored agreement may need to be considered in determining whether a cost transfer is appropriate.