

Guidelines and Procedures for 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 A-133 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" (2007, Part 5, Clusters of Programs, p. 5-2-3).

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.

Requesting Cost Transfers

Non-Labor Expense

1. Locate the page on the Mobius report (in Excel format) where the expense to be transferred is shown. This will be in the report tab labeled "GL" or "AP."
2. Use the "Fill Color" function in Excel to highlight the expense and save the highlighted report.
3. Prepare an e-mail that:
 - Provides the chartfield of the account to which the expense is to be transferred.
 - Indicates whether the transfer is to be a total or partial reallocation.
 - Answers the following questions in sufficient detail to justify the cost transfer:
 - Why was this expense originally charged to the department/project from which it is now being transferred?
 - Why should this expense be transferred to the proposed sponsored project?
 - If the original transaction occurred more than 90 day ago, also answer these questions:**
 - Why is this cost transfer being requested more than three months after the occurrence of the original transaction?
 - What action is needed to eliminate future requests for cost transfers of this type? Is this action being taken?
4. Send the e-mail and the highlighted Excel worksheet to the Manager of Restricted Accounts in the Office of Financial Affairs (vwashing2@deapul.edu).

Labor Expense

Transferring a labor cost to a sponsored project is accomplished through use of the [Labor Costs Change Form](#) and the following process:

1. Contact OSPR with the following information
 - The chartfield of the account to which the expense is to be transferred.
 - The name of the person whom the change will affect.
 - The reason for the reallocation.
2. Receive from OSPR the coding for the Labor Costs Change Form.
3. Prepare the form as instructed by OSPR, and sign and date it on the line marked "Budget Manger."
4. Mail the form to OSPR with a brief cover memo that answers the following questions in sufficient detail to justify the cost transfer:
 - Why was this expense originally charged to the department/project from which it is now being transferred?
 - Why should this expense be transferred to the proposed sponsored project?
 - If the original transaction occurred more than 90 day ago, also answer these questions:**
 - Why is this cost transfer being requested more than three months after the occurrence of the original transaction?
 - What action is needed to eliminate future requests for cost transfers of this type? Is this action being taken?

Responsibilities

Principal Investigator (PI)

- Monitors the Mobius Report on at least a monthly basis to identify the need for cost transfers in a timely manner.
- Initiates cost transfer requests, following the procedures outlined above.
- Provides adequate explanation and justification for cost transfer requests by responding to the questions provided above.

Restricted Accounting

- Reviews and approves non-labor cost transfer requests on the basis of the Factors Affecting the Appropriateness of Cost Transfers (see page 1).
- Verifies and processes all approved cost transfer requests.

OSPR

- Advises the PI, as needed, in the preparation of cost transfer requests.
- Reviews and approves labor cost transfer requests on the basis of the Factors Affecting the Appropriateness of Cost Transfers (see page 1)
- Forwards approved labor cost transfer requests to Restricted Accounting for verification and processing.

Training

[Module 1 Cost Transfers Training](#)

[Module 2 Mobius Financial Reports](#)