

# **COST TRANSFER GUIDELINES**

## **Marshall University Research Corporation**

Costs must 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 MURC policy, Federal regulations, sponsor specific guidelines, and the cost principles that guide fiscal activities on sponsored projects.

It is the responsibility of the Principal Investigator to provide fiscally-sound management of project expenses.

In order to maintain consistency in the treatment of cost transfers, these guidelines will be applied to all cost transfers to sponsored projects (Federal and Non-Federal).

For sponsored projects, approval of any cost transfer shall be made by MURC. MURC will not approve the transfer unless it is in compliance with all applicable rules and regulations.

### **Cost transfer requests must be received by MURC as follows:**

- **Payroll Cost Transfers -- within 30 calendar days from the end of the month in which the error occurred.**
- **Non-Payroll Cost Transfers -- within 90 calendar days of the accounting date of the original expense for active projects, or within 30 calendar days of the expiration date of the project for expired projects, whichever is earlier.**

### **PURPOSE**

Proper management of funds is essential to upholding the fiduciary responsibilities of the Institution. Federal agencies and other sponsors may regard the following activities as indicative of inadequate fiscal or project monitoring:

- An excessive number of cost transfers
- Late cost transfers (more than 90 days old or near end of project)
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances
- Transfers that give the appearance of moving deficits from one federal project to another.
- Salary/benefit cost transfers that are made after effort has been certified
- Transfers made more than 90 days after the transaction occurred.

***Auditors are most greatly concerned about those transfers that result in additional charges to federal programs.***

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

## **GENERAL**

The provisions of OMB Circular A-21 specifically permit some cost transfers while other cost transfers are improper and unallowable. Both proper and improper 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 (A-21) specifically describes transactions that would be improper cost transfers between sponsored agreements. While it is not appropriate to transfer improper costs as specifically described in the regulation between sponsored projects, it may be possible to request a cost transfer from a sponsored project to another budget entity (i.e., departmental cost recovery fund).

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

- When the transfer is for the purpose of utilizing unexpended funds.
- When the transfer is for the purpose of avoiding or alleviating over-expenditure.
- When the transfer is for the purpose of moving a cost that is unallowable on one project to another.
- When the transfer is for the purpose of circumventing award restrictions.
- When the transfer is for the purpose of reimbursing a temporary "loan" of funds from another sponsored project.

The above list is not all inclusive, and transfers which appear to be improper or otherwise unallowable will not be approved by MURC.

### **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 for an erroneous charge.
- When the transfer is for the purpose of assigning a portion of the 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 should be an actual reflection of the employee's effort. Salary distributions are based on personnel appointments. Careful consideration must 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 not required. Therefore, appointments should be reviewed on a regular basis. PI's and department representatives are responsible for being familiar with MURC's Cost Sharing Procedure and how these requirements may affect personnel appointments. If appointment changes are anticipated, a PAR should be submitted in accordance with published deadlines and procedures.

When a change in effort occurs, a new PAR must be completed to reflect applicable funding changes. When a payroll funding error has occurred, an Expense Transfer Form must be submitted. MURC shall determine the adequacy of the justification and documentation.

### **Non-Payroll Cost Transfers**

Non-payroll cost transfers must be received by MURC promptly after the error is detected but **in no event** past 90 calendar days of the accounting date of the original expense for active projects, or prior to submission of final invoice.

Examination of monthly reports (distributed by MURC) in a timely fashion by the PI will permit early detection of erroneous charges.

An Expense Transfer Form shall be submitted in order to correct an erroneous charge. Copies of all relevant documentation must be attached to support the explanation (e.g., requisitions, purchase orders, explanatory memoranda, etc.). MURC shall determine the adequacy of the justification and documentation.

### **Cost Transfers Received after Receipt Deadlines**

Cost transfer requests received after the deadlines specified above will only be processed in extenuating circumstances. Extenuating circumstances do not include

absences of PI or responsible administrator, nor shortage or lack of experience of staff. It is the responsibility of the department and the PI to ensure the availability of qualified staff to administer and exercise stewardship over federally-funded projects in accordance with federal policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.

The reasons for requesting and submitting a cost transfer after the deadlines specified above must be documented in detail and will require the signature of the principal investigator, chair and dean, and will require approval by the MURC Controller. MURC will not approve the transfer unless it is compliant with all applicable rules and regulations.

**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 these cost transfer guidelines and there are not extenuating circumstances, the costs can **only** be moved to an unrestricted fund.

### **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 often preclude the need for cost transfers. MURC 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 submit a Request for Advance Funding Form. Please contact your MURC Compliance Officer for details.

**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. Principal investigators and departmental administrators should review the award agreement and/or contact MURC 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. Costs incurred beyond the project end date are not allowable. Ongoing corrections of incorrectly charged expenses are highly preferable to adjustments in the last few weeks of the sponsored agreement.

**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, in most cases, be returned to the sponsor at the close of a project. For

clarification of the terms of a specific sponsored agreement contact your fund's designated MURC Compliance Officer.