

## **Cost Transfer Procedures for Sponsored Activities**

### **PURPOSE**

This document outlines the procedures necessary to appropriately and properly execute a cost transfer of payroll and other direct costs associated with a sponsored project, in keeping with Shippensburg University's responsibility to comply with sponsoring agency guidelines and/or regulations applying to grants, contracts and other sponsored projects. These procedures apply to all University faculty members and other employees who perform research, educational services or other activities covered by a grant, contract or other sponsored agreement.

### **OVERVIEW**

The University recognizes that cost transfers are sometimes necessary to correct bookkeeping or clerical errors in the original charges or to allocate closely related work that may support more than one project. Frequent, late, and inadequately explained transfers, especially those involving projects with cost overruns or unexpended balances, raise serious questions about the propriety of the transfers and the University's financial controls. This may result in audit disallowances that require monetary paybacks or fines. Consequently, it is important to follow the procedures identified below. Cost transfers to or from sponsored projects should be made within 90 days of the posting of the original charge and must conform to all sponsor terms and conditions.

### **DEFINITIONS**

**Cost Transfer** – A cost transfer is the reassignment of an expense after the expense was originally charged to another cost center.

**Original Charge** – The original charge is the first posting of an expense to the general ledger and may be initiated by payroll charges, purchase orders, travel requisitions, or check requisitions.

**Principal Investigator**– The principal investigator (PI), who may also be called the project director or grant director, is the person who takes direct responsibility for completion of a funded project.

### **PROCEDURES**

The PI is provided with a report detailing the grant activity on a monthly basis as well as a comparison of total expenditures to date versus the established grant budget. A principal investigator (PI) should regularly review these reports for accuracy and to facilitate timely discovery of any errors. Any errors discovered should be promptly communicated to Grant Accounting (GA) and cost transfer should be completed accordingly.

When an error is identified by the PI, they should request a cost transfer from GA, indicating:

1. Where the original charge was made (cost center, commitment item, amount)
2. Where the expense should have been charged (cost center, commitment item).
3. Any justification that states the reason(s) that the expense was originally charged to the account from which it is now being transferred, why the charge needs to be transferred, and why the charge is allowable and allocable for the new account to be charged.
4. An explanation (if applicable) as to why the cost transfer is being initiated more than 90 days after the original charge.

GA will review the cost transfer request for completeness, compliance with sponsor and University terms and conditions/regulations, and allowability, allocability and reasonableness (consulting with the IPSSP as needed). GA will complete the journal entry in SAP, verifying the cost centers, confirming the amount, and checking budget on the commitment items involved. Once the journal entry is posted, GA will ensure the end result in SAP and check that the general ledger is correct for both the credit and debit sides of the entry. Any supporting documentation for the journal entry will be attached and a hard copy will be filed for review by authorized University staff members or auditors. All supporting documentation for the cost transfer should be retained in accordance with the University's record retention policy and/or sponsor program requirements.

In some instances, the Director of the IPSSP or the grants accountant may identify a potential error before it reaches the PI. In those cases, the PI may be contacted to aid in the determination of the appropriateness of the charge. If GA already possesses the necessary information to proceed with the cost transfer, the journal entry will be processed (as defined above) and the transfer will appear on the monthly report for the PI to examine and approve.

#### **ADDITIONAL INFORMATION**

Cost transfers are occasionally necessary between closely related projects. These requests must also contain proper justifications as outlined above and will be carefully reviewed. Cost transfers made only to cover apparent cost overruns or deplete unexpended balances will be carefully scrutinized and may not be allowed.