Practices and Procedures for Processing Cost Transfers

Recently, many federal agencies that perform audits of sponsored programs at colleges and universities have focused attention on untimely or unsubstantiated cost transfers (i.e., moving transactions from one sponsored project to another). Funding agencies have questioned and/or disallowed transfers when they occurred frequently on an award, when they were not processed timely, (occurring several months or more after the initial charge was recorded), and/or when there was an inadequate explanation or lack of accompanying documentation. Transfers of this type, particularly when they occur on projects with cost overruns or unexpended balances, cause agencies to question their appropriateness, as well as the overall reliability of the recipient's accounting system and their ability to properly administer sponsored programs. In addition to disallowing cost transfers, A-133 audit findings have occurred. Refer to the Controller’s Office web page for “Background Information Regarding Cost Transfers”:
http://finweb.rit.edu/controller/sponsored/

This memo reflects RIT’s practices and procedures regarding the treatment and allowability of cost transfers on sponsored programs. These practices are designed to minimize regulatory, financial and reputational risk to the University in the administration of sponsored projects.

It is the Principal Investigator’s responsibility to monitor all transactions charged to his/her sponsored project. Occasionally, due to a clerical error, it will be necessary to move a cost from one project to another. Per OMB A-21, all cost transfers must be reasonable, allocable, treated consistently throughout the University, and conform to any limitations or exclusions in the sponsored agreement. If you, or your project administrator, determine that a cost transfer is required on your sponsored project (and it meets the requirements above), you should be familiar with the following expectations:

- Cost transfers representing corrections of clerical or bookkeeping errors (i.e., transactions inadvertently charged to the wrong project) must be made promptly after the errors are discovered. Cost transfers must be made within 90 days of the original transaction. When a transfer is made after 90 days, it raises serious questions regarding the appropriateness/allowability of the transfer.
- All transfers must be supported by documentation which contains a full explanation of how the error occurred and a certification of the correctness of the new charge. An explanation which merely states that the transfer was made "to correct an error" or "to transfer the charge to the correct project" is not sufficient. Note: frequent errors in the recording costs may indicate the need for improvements in the academic unit's fiscal administration of sponsored projects and/or its internal control system. Departments may be asked/required to evaluate the need for improvements in these areas and to implement necessary changes.
Transfers which involve a change in previously certified effort will require a further statement indicating why the Quarterly Monitored Workload Report (QMWR) was not corrected prior to the original certification. In addition, a statement that the revised distribution of pay accurately represents effort during the period indicated will be required.

When a PI processes or requests a cost transfer for a transaction that is 90 or more days after the date the original transaction was posted to the sponsored project, a detailed explanation of why the transfer is late must accompany the request. In addition, a justification for the transfer (i.e., why it should be processed) signed by the PI, supporting documentation including a certification of the allowability/appropriateness, and an explanation as to what steps will be taken to prevent delays in the future must be provided. Note: all cost transfers beyond the 90 day period, are subject to the review and approval of the Sponsored Programs Financial Management Service Office.

Contact your Sponsored Program Financial Management Service representative if you have questions about the allowability or appropriateness of cost transfers on your sponsored project.

Other information regarding “Allowable and Unallowable Charges” as well as a manual designed to Assist PIs with “Managing Externally Funded Projects” is located on the Controller’s office web page: [http://finweb.rit.edu/controller/sponsored/](http://finweb.rit.edu/controller/sponsored/)