



## **FINANCIAL AND BUSINESS SERVICES POLICIES AND PROCEDURES**

Area:	University	Number:	
Subject:	Sponsored Expense/Cost Transfers	Issued:	May 1, 2013
Applies To:	Faculty and Staff	Revised:	
Sources:	Financial and Business Services/Research Accounting	Page(s):	1 of 3

### **Purpose**

To define expense/cost transfer policy for federal grants and contracts to assure compliance with all applicable federal and state laws.

### **Policy Statement**

Costs should be allocated 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 after the initial charge has occurred. An expense transfer is any transfer of an expense to a sponsored project from another funding source. It is necessary to have sufficient control and documentation of expense transfers to avoid potential audit disallowances.

### **Exclusions**

Expense transfers that are made after the 60 (or 30) day limitation described below will be considered only under extenuating circumstances, which will be determined on an individual basis by Research Accounting.

### **Procedures**

Expense transfers must be timely, conform to university and sponsor guidelines and have appropriate documentation to be considered allowable. Frequent, late, or inadequately documented transfers raise questions about the propriety of the transfers and may result in expenditure disallowances and/or subsequent reduction in funding.

Sponsored project funds should be reviewed by the Principle Investigator (PI) on a monthly basis to ensure that all expenditures charged are correct and appropriate. It is the responsibility of the principal investigator to authorize transactions and review the expenditures for accuracy. If an error is discovered, an expense transfer should be made no later than 60 days after the original transaction or 30 days after the end of a project, whichever comes first. To request an expense transfer, the PI or department should complete the Expenditure Transfer Form located on the Financial and Business Services website for General Accounting forms, <http://services.georgiasouthern.edu/accounting/genacctforms.html>. Acceptable documentation of the expense transfer include, at a minimum:

- 1) The completed expense transfer form. The form must include an explanation to fully document how the error occurred and a certification of the correctness of the new charge by the PI or responsible party if PI is absent. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient.
- 2) Business Objects Financial History report showing the original charge
- 3) Approval by PI and Budget Manager of the budget of the original charge.

The completed form should be sent to Research Accounting for review and posting.

Under no circumstances is it appropriate to initiate an expense transfer for the sole purpose of utilizing unexpended funds or to cover losses or overages from other projects. Federal regulations specifically prohibit transfers of this nature.

### **Federal regulations governing expense transfers:**

2CFR220.C.4.b (OMB Circular A-21 C.4.Allocable Costs) – *“Any costs allocable to a particular sponsored agreement under the standards provided in this Appendix 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.”*

NIH Grants Policy Statement, Part II: Terms and Conditions of NIH Grant Awards, Section 7.5 Cost Transfers, Overruns and Accelerated and Delayed Expenditures

*“Cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee, consortium participant, or contractor. An explanation merely stating that the transfer was made "to correct error" or "to transfer to correct project" is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.*

*Grantees must maintain documentation of cost transfers, pursuant to 45 CFR part 74.53 or 92.42, and must make it available for audit or other review (see [Administrative Requirements—Monitoring—Record Retention and Access](#)). The grantee should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls. Frequent errors in recording costs may indicate the need for accounting system improvements, enhanced internal controls, or both. If such errors occur, grantees are encouraged to evaluate the need for improvements and to make whatever improvements are deemed necessary to prevent reoccurrence. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on an award(s).*

*The GMO monitors grantee expenditure rates under individual grants within each budget period and within the overall project period. The funding that NIH provides for each budget period is based on an assessment of the effort to be performed during that period and the grantee's*

*associated budget, including the availability of unobligated balances. Although NIH allows grantees certain flexibilities with respect to rebudgeting (see [Administrative Requirements—Changes in Project and Budget](#)), NIH expects the rate and types of expenditures to be consistent with the approved project and budget and may question or restrict expenditures that appear inconsistent with these expectations.*

*The GMO may review grantee cash drawdowns to determine whether they indicate any pattern of accelerated or delayed expenditures. Expenditure patterns are of particular concern because they may indicate a deficiency in the grantee's financial management system or internal controls. Accelerated or delayed expenditures may result in a grantee's inability to complete the approved project within the approved budget and period of performance. In these situations, the GMO may seek additional information from the grantee and may make any necessary and appropriate adjustments.”*

\*\*\*Note: NIH policy is used as a representative example of Federal policy. All federal agencies have the same or very similar restrictions.

### **Examples of Expense Transfers**

Expense transfers that *may* be appropriate:

- Correction of technical errors, such as data entry or transposition error
- Recurring and routine transfers to allocate direct expenses (if allowable), such as telephone charges, fuel charges and printing charges. The methodology for allocating charges must be consistent, well-documented and based on the benefit derived.
- Transfer of pre-award costs from another departmental account, given that the expenses were allowable and allocable, and were incurred within the sponsor permitted time period before the beginning date of the award. Temporary accounts should be established for these types of pre-award costs if possible to avoid these types of expense transfers.
- Transfers to move unallowable charges, or to eliminate a deficit, to a *non-sponsored* account

Expense transfers that are *not* appropriate:

- Transfers processed solely to move deficit spending from one sponsored project to another sponsored project
- Transfers that are processed solely to use up an unexpended balance, but do not appear to be of direct benefit to the project, i.e. transfers of costs during the last months of a project
- Transfer of unidentified expense or lump-sum expenses to a sponsored project
- Transfers of expenses that were not incurred during the project period of performance, unless specifically allowed by the sponsor
- Transfer of Revenue, Cash, or Facilities & Administrative expense to or from a sponsored project