

Cost Transfers on Sponsored Projects

Summary/Purpose: Each administrative head has the responsibility to determine the appropriate account when expending funds and to ensure that the budgets under his/her jurisdiction are not over-obligated or over-expended. While it is preferable to charge costs to the correct accounts when they are incurred, in certain situations the University allows cost transfers. To be allowable, cost transfers must be timely, fully documented, conform to university and sponsor allowability standards, and have appropriate authorizing signatures. Generally, expense transfers are allowed for costs incurred within ninety-days of the request. Additional consideration will be given to both fiscal year and sponsored award termination dates.

It is critical that accounts be reviewed on a regular (e.g., monthly) basis to ensure that all expenditures charged, both personnel and other than personnel, are correct and appropriate. It is the responsibility of the signatory officer to authorize transactions and review the account activity. Whenever an error is discovered, it must be corrected as quickly as possible.

A transfer may be denied in certain situations such as when the expense and request are made in different fiscal years or if there is inadequate justification for the transfer. Every effort should be made to process expense transfers (including personnel costs) prior to the close of the fiscal year in which the original expense was incurred. Frequent, late, and inadequately documented and explained transfers, especially those which involve sponsored projects with overruns or unexpended balances, raise serious questions about the propriety of the transfers and may result in expenditure disallowances and/or subsequent reduction in funding.

Each cost transfer must be clearly explained with supporting documentation. The written explanation and supporting documentation should clearly address all of the following:

- A description of the expense(s) being transferred, including why and when the original charge(s) occurred
- Why the receiving account was not originally charged
- Why it is appropriate to charge the receiving account

Transfers after the ninety-day period are only allowed in extraordinary situations and only upon approval by the Office of Accounting. In all cases, a complete explanation must be included to justify why the transfer is necessary and why the expense was not originally charged to the correct account.

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The United States Office of Management and Budget (OMB) *Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards* Section 200.413 specifies that "direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award...or that can be directly assigned to such activities relatively easily with a high degree of accuracy."

Awards issued prior to December 26, 2014 should follow OMB *Circular A-21: Cost Principles for Educational Institutions*.

The University of Mississippi

Typically, cost transfers are appropriate when they are allowable direct costs of the sponsored project, and their purpose is to:

- Correct errors in processing the original charges
- Move costs between accounts for closely related work (as defined by the project scope) that is supported by more than one funding source
- To transfer pre-award costs in accordance with the provisions of OMB *Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards* Section 200.458.

Inappropriate circumstances for cost transfers include, but are not limited to, the following:

- When the transfer is solely for the purpose of utilizing unexpended funds of a sponsored award
- When the transfer is for the purpose of avoiding a cost overrun by charging another, unrelated sponsored award
- When the transfer circumvents pre- and/or post-award restrictions