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# Cost Transfers on Sponsored Projects

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## I. REASON FOR THIS POLICY

The Federal government has established policies related to the allocation of costs to federally sponsored agreements in 2 CFR 200, Section E, and within specific agency policies on cost transfers.

The purpose of this policy is to establish the guidelines for transferring charges to and/or from a sponsored award to ensure compliance with federal regulations.

## II. STATEMENT OF POLICY

The purpose of a cost transfer (recode) is to correct errors in the processing of the original charges. Circumstances under which cost transfers are allowed include, but are not limited to; unallowable charges, clerical errors, pre-award spending or delays in personnel changes.

Sponsored Project costs must be charged to the appropriate sponsored project when first incurred. It is the responsibility of the Principal Investigator to provide fiscally-sound management of expenses and to ensure compliance with all applicable regulations.

- a. Charges to sponsored projects must be allowable, reasonable, and allocable to the project. Consistent treatment of costs on sponsored projects is required.
- b. All expenses should be allocated to the correct award at the time of the original purchase to avoid unnecessary cost transfers.

- c. At no time should a sponsored project be used as a holding account for expenses that will subsequently be transferred elsewhere.
- d. Transfers of costs to any sponsored project are allowable only if there is a direct benefit to the project being charged. An overdraft or any direct cost item incurred during the management of a sponsored project may not be transferred to another sponsored project for the sake of resolving a deficit or an allowability issues.
- e. Cost transfers may not be used as means of managing awards or to spend down federal dollars at the end of an award cycle.
- f. Cost transfers may not be used after the submission of financial report to the sponsoring agency, unless required by the sponsor.
- g. In limited situations, it may be permissible to charge costs to a non-sponsored fund and reallocate them after the fact. Examples are animal per diems, and service center charges. It is the responsibility of the sponsoring department to make arrangements with the appropriate service center (e.g. for Fleet Services or Telephone charges) and update the fund source when a grant is beginning or ending.

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### III. DEFINITIONS

**Cost transfer** - A cost transfer is the reassignment of an expense to or from a sponsored project after the expense was initially charged elsewhere. A cost transfer may include salaries, wages, benefits and direct operations costs. Cost transfers are also known as “recodes”.

**Principal Investigator (PI)** – The individual responsible for the development, writing and conduct of a sponsored award, who also has primary responsibility for the technical and fiscal management of the award.

**Sponsored Project** – Any grant, contract or other agreement between USD and federal government, state government or outside entity.

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### IV. PROCEDURES

Principal Investigators and departmental financial support staff must review expenses on sponsored projects on a monthly basis to ensure that the expenses charged to their awards are accurate.

Cost transfers must be initiated no more than 90 days after the initial charge was recorded and will be routed to a post award grants specialist for review.

Requests for cost transfers after 90 days of the original transaction must include sufficient documentation and justification and will be considered on a case by case basis. If a cost is

deemed to be unallowable on the sponsored project, it may not be moved to another sponsored project.

Cost transfer requests to a sponsored project within 90 days of the end of an award will receive the highest level of review and may be granted only under extenuating circumstances. Sponsor approval may also be required.

Cost transfers related to payroll may require that effort reports are re-certified.

Cost transfers related to payroll may not cross fiscal years unless approved by Grants Accounting or the Vice President of Finance and Administration. All awards must be reviewed by departmental staff prior to the end of a fiscal year to ensure the payroll on a sponsored project is accurate.

Grants Accounting may initiate a cost transfer at any time during an active or inactive award if expenses have been charged to the award that are deemed to be unallowable.

Departments or schools with regular, repeated cost transfer requests are subject to sanctions that may include disallowing award submissions, requiring that expenses be coded to departmental funds or other actions as deemed necessary by the Vice President of Finance and/or the Vice President of Research Administration.

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## V. RELATED DOCUMENTS, FORMS AND TOOLS

Uniform Guidance, Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

NIH Grants Policy Statement 7.5, Cost Transfers, overruns, and Accelerated and Delayed Expenditures

[https://grants.nih.gov/grants/policy/nihgps/html5/section\\_7/7.5\\_cost\\_transfers\\_overruns\\_and\\_accelerated\\_and\\_delayed\\_expenditures.htm](https://grants.nih.gov/grants/policy/nihgps/html5/section_7/7.5_cost_transfers_overruns_and_accelerated_and_delayed_expenditures.htm)