



Cost Transfers on Sponsored Projects

No. 3255

Policy Effective Date:
1/21/1998

Last Revision Date:
8/10/2013

Policy Owner:
Dwight Shelton

Policy Author:
(Contact Person)
Savita Sharma

Affected Parties:
Faculty
Staff

1.0 Purpose
2.0 Policy
3.0 Procedures
4.0 Definitions
5.0 References
6.0 Approval and Revisions

1.0 Purpose

The purpose of this policy statement is to set forth the university's policy with regard to the transfer of expenditures on and off sponsored projects.

Every effort must be made to correctly record expenditures to the appropriate sponsored projects when the original entry is made in the accounting records. Occasionally, however, it may be necessary to transfer a cost to another project or fund to correct posting errors, or to transfer a cost to a closely related sponsored project, or to remove cost overruns. The university is required to maintain records supporting expenditures to all sponsored projects in accordance with the applicable Federal regulations and in accordance with the terms and conditions of the sponsored agreement. University Policy 3100, Fiscal Responsibility (<http://policies.vt.edu/3100.pdf>) requires that managers perform monthly reviews of financial transactions such that timely corrections can be completed within the timeframes outlined within the policy. For sponsored projects, the Principal Investigators, in conjunction with the fiscal staff in their organizational unit, are responsible for conducting ongoing reviews of the projects they manage to ensure the accuracy and appropriateness of all expenditures posted to those projects. The university does not prescribe the timing of the review process; however, the reviews must be timely enough to ensure compliance with the deadlines included in this policy. Timely cost transfers for salaries and wages are important to ensure that effort may be certified timely and appropriately.

2.0 Policy

All expenditure (cost) transfers to or from a sponsored project must be recorded in the receiving fund within ninety (90) days after the initial charge was recorded or prior to the submission of the final expenditure report to the sponsor, or the final request for reimbursement from the sponsor, whichever occurs first.

In unusual or unforeseen circumstances, a transfer may be appropriate even though the ninety (90) day deadline is not met or if effort has already been certified. These transfers will be reviewed with additional scrutiny and the Office of Sponsored Programs (OSP) will require further justification and additional approvals. For example, sometimes award negotiations are delayed, but the sponsoring agency authorizes work to begin on the project before negotiations are completed. Under such circumstances, transfers TO a sponsored project will be considered timely when the university receives the fully executed contractual agreement after the project's begin date and the cost transfer is submitted within sixty (60) days of the issuance of the university Project Award Notice and establishment of the sponsored project fund in the university's accounting system.



Virginia Polytechnic Institute and State University

No time limit exists for REMOVING expenditures from a sponsored project. If inappropriate expenditures or cost overruns are discovered, they must be removed without regard to time limits and, if outside of the time limits or acceptable circumstances outlined above, transferred to a non-sponsored fund (general fund/Educational & General, returned indirect, residual, foundation-funded project, etc.).

The manager (department head, Institute or Center Director, etc.) of the organization responsible for the sponsored project fund where the cost or expenditure is being transferred TO is responsible for establishing internal control procedures to ensure the following:

- The costs are an appropriate and allowable use of such funds and have a direct benefit to the project
- The cost transfer has adequate documentation and justification
- The cost transfers are approved by a designated authorized approver for the organization's funds
- The cost transfer is made on a timely basis, i.e., within ninety (90) days, after the initial charge was recorded or prior to the submission of the final expenditure report to the sponsor, or the final request for reimbursement from the sponsor, whichever occurs first.
- The cost transfer has been made in consultation with and has been authorized by the Principal Investigator

The Office of Sponsored Programs is responsible for reviewing and approving all cost transfers on sponsored project funds initiated more than sixty (60) days after initial charge.

Managers and fiscal staff in organization units are strongly encouraged to make all salary cost transfers within 45 days of the end of each semester to ensure that salaries are properly aligned with effort performed for faculty and staff before Personnel Activity Reports (PARs) or effort reports are created for that semester. This will reduce the need for creating retroactive PARs. See Policy 3105, Effort Certification (<http://policies.vt.edu/3105.pdf>) for details.

3.0 Procedures

Costs on sponsored projects to be transferred can be separated into two general categories: “salary/wage” expenses (salaries of faculty and staff and wages of employees and graduate assistants) and “operating” expenses (lab supplies, contractual services, travel, etc.). Cost transfers for these two categories are processed in different ways as shown below:

Transfer of Costs for salary/wage expenses:

- All requests to transfer costs from the “salary/wage” category must be submitted using the electronic Labor Redistribution System. Labor redistribution requests submitted sixty (60) days or more after the original charge are routed to OSP for approval. Labor redistribution requests changing an employee's effort will generally be rejected if the Personnel Activity Report (PAR) has previously been certified as accurate.

Transfer of costs for operating expenses:

- Requests to transfer “operating” costs must be submitted on a Journal Entry (transfer) form, with appropriate documentation, to OSP for approval. After approval, OSP will forward the cost transfer request to the Controller's Office for processing.

All cost transfers must be accompanied by written documentation indicating why the transfer is a necessary and appropriate charge to the project. A detailed explanation is required. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient.



If the transfer is more than sixty (60) days since the original posting date, the following additional written documentation is required:

- Why the transfer was not submitted in a more timely fashion.
- How does the charge directly benefit the project and is the expense an allocable and allowable cost for this project?
- Documentation that changes have been discussed with and authorized by the principal investigator.

If the transfer is more than ninety (90) days since the original posting date or if effort has already been certified as being correct, additional management approvals in the Office of Sponsored Programs are required along with additional supporting documentation as indicated below:

- Specific written documentation related to the late receipt of funding including evidence of the date the sponsor authorized work to begin on the project and the date the Project Award Notification was issued
- Specific explanation as to why effort was certified incorrectly and how this will be prevented in the future, and
- Specific written documentation of the other unusual circumstances that might justify an exception to the normal 90-day limitation.

Cost transfers to Remove Cost Overruns:

When the costs for a sponsored project exceed its approved budget, and the principal investigator cannot justify transferring the costs to another closely related sponsored project, the amount of the cost overrun must be transferred to another fund.

In the vast majority of circumstances, cost overruns may ONLY be transferred to a non-sponsored fund (general fund/Educational & General, returned indirect, residual, and foundation-funded projects). Only in cases where multiple sponsors are funding the same project/deliverables in an overlapping project period will the transfer of cost overruns to other sponsored projects be considered.

For cost transfers of operating expenses the "Journal Entry (Transfer)" form box titled "sponsored project cost overrun" must be checked and "to remove cost overrun on sponsored project" should be included in the explanation. All such transfers to remove cost overruns must be identified in the accounting system by General Accounting using transaction Rule Code JE8. This transaction code will be used to accumulate such cost overruns and ensure these costs are included in the appropriate direct cost base(s).

For salary/ wage cost overruns, the words "To Remove Cost Overruns on Sponsored Project" should be included in the comment field in the Labor Redistribution System. This explanation will be used to accumulate such cost overruns and ensure these costs are included in the appropriate direct cost base(s).

4.0 Definitions

General Fund/Educational & General – These are departmental operating funds used to carry out and support the university's primary missions. The main sources of these revenues are General Fund appropriations derived from state taxpayer revenues and student tuition and fees.

Returned Indirect – Portion of indirect cost recoveries on sponsored programs returned to the college or department to cover future research endeavors, including cost overruns.



Residual Fund – The remaining balance on firm fixed-price awards when revenues exceed all direct and indirect expenditures necessary to complete the project have posted. Usually this remaining balance is transferred to a residual fund established in the university's accounting system and expenditures from such funds are not subject to the controls established by the sponsor in the initial award.

Foundation-funded project – Gifts deposited to the Virginia Tech Foundation (VTF) and transferred to a university restricted fund included in the sponsored programs range of fund numbers in the university's accounting system. Often such funds are used to pay for items that cannot be paid directly by the VTF such as salaries, wages, graduate stipends, etc.

5.0 References

Office of Management and Budgets (OMB) via 2 CFR Part 220 "Cost Principles for Educational Institutions" (formerly OMB Circular A-21).

<https://www.ecfr.gov/cgi-bin/ECFR?page=browse>

Office of Management and Budgets (OMB) via CFR Part 215, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations" (formerly OMB A-110).

<https://www.ecfr.gov/cgi-bin/ECFR?page=browse>

University Policy 3100, Fiscal Responsibility

www.policies.vt.edu/3100.pdf

University Policy 3105, Effort Certification

www.policies.vt.edu/3105.pdf

6.0 Approval and Revisions

Approved January 21, 1998 by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

- Revision 1
Update policy statement and procedures to reflect regulatory documentation requirements and forms referenced in the policy.
Approved February 15, 2005 by the Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.
- Revision 2
Updated policy statement and procedures to reflect current processes.
Approved August 10, 2013 by the Vice President for Finance and Chief Financial Officer, M. Dwight Shelton, Jr.