



Cost Transfers on Sponsored Projects

No. 3255

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Policy Owner:

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Affected Parties:

Faculty
Staff

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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 and related committed or mandatory cost-sharing funds.

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. [Policy 3100, Fiscal Responsibility](#) 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 (PI), 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

2.1 Costing Principles:

All costs (including cost transfers) charged to sponsored projects must be allowable, reasonable, and allocable, and they must comply with university [Policy 3240, Costing Principles for Sponsored Projects](#). The PI, in conjunction with the fiscal staff in their organizational unit, are responsible for conducting ongoing reviews of projects they manage to ensure the accuracy and appropriateness of all expenditures posted to those projects.

Upon identification of any costs determined to not meet the costing principles as outlined by this policy, OSP will notify the department and PI to remove unallowable or unallocable costs. The PI and fiscal staff are responsible to remove unallowable or unallocable costs. OSP is authorized to remove those costs during any phase of the project if the department and/or the PI have not removed the costs as requested by OSP.

2.2 Timeliness:

Departments are authorized to transfer an expenditure (cost) to or from a sponsored project fund within ninety (90) days of recording the initial charge. Transfers must occur prior to the submission of the final expenditure report or final request for reimbursement from the sponsor, where the event occurs within ninety (90) days of recording the initial charge.



Occasionally, the award negotiations may take longer than anticipated to finalize the contract or a fully executed contractual agreement is received after the project begin date. For these awards, if the PI starts programmatic work before the contract is fully executed, the cost transfer request must be submitted within ninety (90) days of the issuance of the university Project Award Notice (PAN) and establishment of the sponsored project fund in the university's accounting system.

Managers and fiscal staff in organizational units are strongly encouraged to make all salary cost transfers as soon as identified, but no later than forty-five (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](#) for details. Generally, once the PARs are certified, requests to change the funding source of an employee's pay will not be approved.

2.3 Late Transfers Requiring OSP Approval:

A transfer may be appropriate even though the ninety (90) day deadline is not met. These transfers will be reviewed with additional scrutiny and the Office of Sponsored Programs (OSP) will require further justification and additional approvals.

Costs not approved by the sponsor; costs outside of the period of performance; costs not allowable by federal regulations or sponsor terms and conditions; or costs not in adherence with applicable university policies must be removed without regard to time limits and transferred to a non-sponsored fund (general fund/Educational & General, returned indirect, residual, foundation-funded project, etc.).

During the close-out of a sponsored award, full review of the award will be completed by OSP and any costs that are unallowable, unallocable, OR not in accordance with the terms and conditions of the sponsored agreement or university policies will be transferred to a non-sponsored fund.

2.4 Internal Controls:

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 has been made in consultation with and has been authorized by the PI; and
- The cost transfer is made on a timely basis (i.e., within section 2.2 Timeliness).

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 (contractual services, materials and supplies, travel, equipment, consultants, subcontractors, etc.). Cost transfers for these two categories are processed in different ways as indicated below:



3.1 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 charges 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.

3.2 Operating Expenses:

Requests to transfer “operating” costs must be submitted using a journal entry (transfer) form. Operating cost transfer requests greater than \$2,000 are routed to OSP for approval with appropriate documentation. After approval, OSP will forward the cost transfer request to the Controller’s Office for processing. Additionally, OSP will complete a risk-based post audit review of cost transfers and any unallowable or unallocable costs discovered will be transferred to a non-sponsored fund.

3.3 Removing Cost Overruns:

When the costs for a sponsored project exceed its approved budget, 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).

3.4 Exceptions

The transactions below are not considered cost transfers:

- Routine allocation of service center charges from the default fund to the sponsored project fund is considered an original charge to a sponsored project.
- Reassignment of expenses between the main fund and sub-funds is not considered a cost transfer because the expense remains in the same award.

4.0 Definitions

COMMITTED COST SHARING is required by the sponsor (mandatory) and/or voluntarily pledged (committed) and quantified in the proposal verbiage and the proposal budgets.

GENERAL FUND/EDUCATIONAL & GENERAL 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 is the portion of indirect cost recoveries on sponsored projects returned to the college or department to cover future research endeavors, including cost overruns.

RESIDUAL FUND is 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 are 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

2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<https://www.ecfr.gov/ecfrbrowse/Title02/2chapterII.tpl>

Office of Sponsored Programs Procedure 30004, Cost Transfers Associated with Sponsored Awards

https://osp.vt.edu/content/dam/osp_vt_edu/policies/osp30004.pdf

Policy 3100, Fiscal Responsibility

www.policies.vt.edu/3100.pdf

Policy 3240, Costing Principles for Sponsored Projects

<https://policies.vt.edu/assets/3240.pdf>

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.
- Revision 3
Policy underwent a complete revision and expansion in all significant areas. Key changes include changing the requirement for OSP to only review operating expense cost transfers greater than \$2,000; added responsibility for OSP to complete risk-based post audit of cost transfers; and added language to reflect transactions that are not considered cost-transfers.
Approved February 22, 2021 by the Vice President for Finance, Kenneth E. Miller.