University Operating Procedure

Cost Transfers Involving Sponsored Agreements

Overview

It is the policy of the University of Vermont that costs shall be charged to the appropriate sponsored agreement when first incurred. Costs may not be transferred after they are initially recorded except in compliance with this University Operating Procedure (UOP). The University requires that all cost transfers be completed in a timely manner and be supported by documentation that fully justifies the appropriateness of the transfer. This procedure and its guidelines and definitions provide guidance on how to minimize cost transfers. They also set forth standards that are consistent with applicable federal guidance and sponsor-specific requirements.

Throughout this UOP, the word “department” refers generally to the unit processing the cost transfer and encompasses department, college, school, center, or other administrative unit.

Procedures

All University employees with responsibilities for sponsored agreements are expected to be aware of and comply with this UOP and the principles and requirements listed below. Confirmed violations may result in disciplinary action. In some instances, civil claims and criminal charges may also result. Procedures for the investigation of suspected violations, imposition of disciplinary action, and the availability of grievance or appeal channels shall be governed by otherwise applicable University policies, handbooks, and collective bargaining agreements.

The University of Vermont follows the applicable federal guidance for cost transfers. Any costs allocable to a particular sponsored agreement 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.
The federal guidance contains the following two standards for financial management systems:

1. Written procedures exist for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the sponsored agreement.

2. Accounting records including cost accounting records are supported by source documentation.

Additionally, the University follows the NIH Grants Policy Statement (http://grants.nih.gov/grants/policy/nihgps_2013/), other sponsor-specific guidance, and the specific terms and conditions of individual sponsored agreements.

**Minimizing Cost Transfers**

**Charging the Correct Sponsored Agreement** – The University expects that all costs are allocated to the appropriate sponsored agreement when the costs are initially incurred.

Per the University’s Cost Policy on Sponsored Agreements, the four guiding principles of reasonableness, allocability, allowability, and the consistent treatment of the cost type (direct vs. indirect) shall be used to determine whether a cost can be charged to a sponsored agreement. See the Cost Policy for criteria definitions.

Cost transfers shall not be used as a means of managing costs on sponsored agreements. For example, expenses may not be temporarily posted to a sponsored agreement if the expenses are not allocable to that sponsored agreement. Similarly, small percentage changes in effort may not be submitted for the sole purpose of using up the unexpended dollars of a sponsored agreement.

**Advance Account** – An advance account shall be established and utilized per the Establishment of Advance Accounts for Sponsored Projects procedure to minimize the use of cost transfers when, for example, awards are executed after their start date.

**Departmental Suspense Account** – The primary purpose of a departmental suspense account is to temporarily post encumbrances and expenses when a sponsored agreement is pending, funding has not been guaranteed, and no advance account has been established. Encumbrances and expenses should be transferred to the appropriate advance account or sponsored agreement within one month after the appropriate chart string(s) are available.

**Payroll Allocations** – Principal Investigators should request planned payroll distribution changes in advance of personnel applying actual effort on their sponsored agreements.

Bi-weekly payroll personnel or a responsible official with suitable means of verification shall ensure that hours charged to a sponsored agreement through the hourly submission processes of the University are correct.
Non-Payroll Allocations – To avoid unnecessary cost transfers, research personnel shall charge or allocate goods and services among sponsored agreements at the time of the original purchase whenever possible and practical.

Purchasing Card Purchases – Reallocations to a sponsored agreement through the University’s procurement card reallocation process are not considered a cost transfer. Per the cardholder acceptance agreement, cardholders shall ensure that charges to default chart strings are either correct or are reallocated to the correct chart string before the end of each monthly procurement cycle.

Timeliness of Identifying and Correcting Costing Errors

Identifying Costing Errors – It is the responsibility of Principal Investigators to ensure that verification of financial transactions on their respective sponsored agreements occurs on a timely basis (at least monthly). A cost transfer for any identified errors shall be processed promptly after an error is discovered.

Timely Costing Error Correction (90-day rule) – Cost transfers must be prepared and submitted no later than 90 calendar days from the accounting date of the original posting of the cost. The submission date on the cost transfer request justification form shall be the official submission date.

Untimely Cost Transfer Requests (> 90 days) – A cost transfer is considered untimely when it is submitted greater than 90 days from the accounting date of the original posting of the cost. Untimely transfers requests will only be approved under extenuating circumstances.

The following HHS and NIH regulations supersede this general policy statement on approving untimely cost transfer requests on sponsored agreements supported by these agencies:

- The Health and Human Services (HHS) grant policy (http://www.ahrq.gov/funding/index.html) contains the following condition: “Permissible cost transfers should be made promptly after the error occurs but not later than 90 days following occurrence.” Cost transfers requested more than 90 days after the occurrence must be approved in advance by the Grant’s Management officer.

- The National Institutes of Health (NIH) grant policy (http://grants.nih.gov/grants/policy/nihgps_2013/) prohibits transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns.

Unallowable Expenses – Departments must promptly remove all unallowable expenditures, once they are identified, regardless of timeframe.

Justification and Documentation of Cost Transfers

Cost transfers must be properly justified on the University’s Cost Transfer Justification Form and submitted with sufficiently detailed documentation. The justification must include a detailed
explanation from which an independent reviewer can understand the transfer request and conclude that the expenditure is appropriate. A statement that merely states “to correct error” or “to transfer to correct account” is not sufficient. If the cost transfer is untimely, then the Cost Transfer Justification Form must also describe both the extenuating circumstances that justify the transfer and the corrective action that has been instituted to prevent future untimely cost transfers. All pertinent questions on the form must be answered completely and accurately.

**Supporting Documentation** – Supporting documentation is required to identify the original cost and confirm when the original cost was posted to the University’s general ledger.

- **Payroll Related Cost Transfers** – The current salary distribution form, the original Additional Pay Form, and a labor distribution report (wages) are examples of acceptable documents for payroll related cost transfers.

- **Non-Payroll Related Cost Transfers** – A copy of the Project Monthly Budget Report (PMBR) that displays the original chart string, transaction, transaction number, and accounting date is an example of acceptable documentation.

Other examples of supporting documentation may include Payroll Earnings Distribution detail, a list of business meal attendees, and/or an effort report. Additional supporting information may be required for unusual circumstances.

**Authorization and Approvals**

The primary responsible person for financial accountability involving a cost transfer on a sponsored agreement is the Principal Investigator (PI). The PI may delegate the administrative processing of a cost transfer to University personnel trained in those respective delegated duties. Delegation will not relieve the PI of responsibility for compliance.

When multiple departments are involved in authorizing and approving a cost transfer, the PI from the initiating department shall remain responsible for compliance with this UOP.

**Departmental Approvals of Cost Transfers** – All cost transfers involving sponsored agreements, whether for labor or goods and services, require preparation and approval. Departments shall ensure that no one person has complete control over all aspects of a cost transfer. The individual who prepares the cost transfer request shall not be the same person who approves it. The PI of the sponsored agreement receiving the charge must approve the cost transfer request if it is submitted more than 90 days from the accounting date of the original transaction. The approval may be demonstrated by a signature, e-mail, or via electronic workflow.

**Central Unit Approval of Cost Transfer Requests** – Central administrative units shall review the appropriateness of cost transfer requests in a timely manner. Depending on the timeframe of the cost transfer request, the following approval levels are required:
### Time Frame | Cost Transfer Request Type | Central Unit Approval
--- | --- | ---
≤ 90 days | Payroll Expenditure  
Non-Payroll Expenditure | Cost Accounting Services (CAS)  
Sponsored Project Administration (SPA)  

> 90 days | Cost Transfers with extenuating circumstances | Appropriate approval from CAS or SPA and the Controller’s or Associate Vice President for Research Administration’s Approval

Examples of extenuating circumstances that will be considered are:

- Late issuance of an official University communication regarding a sponsored agreement notice that is beyond the control of the requestor (activation of a new award or advance account, full execution of a subcontract, an extension of time, incremental funding, etc.)

- Failure of another department to take action when supporting documentation has been promptly submitted.

Extenuating circumstances generally do not include:

- Absence of the Principal Investigator or cognizant administrator or lack of experience of the staff administering the awards.

Untimely cost transfer requests without extenuating circumstances must be charged to institutional funds.

**Unallowable Expenses** – If the Department has not provided sufficient justification and documentation in a timely manner or has not transferred an unallowable expense off a sponsored agreement, Sponsored Project Administration has the authority to transfer the unallowable expense to the PI’s unit general fund account.

Effort-related expenditures on a sponsored agreement that have not been certified within the timeframes of the University’s Effort Management and Reporting Policy are subject to immediate removal from the sponsored agreements. Departments shall be notified in advance of pending cost transfers to their respective general fund account and will have five business days to provide either justification for additional time or a specific general fund account other than their main general fund chart string.

### Definitions

**Account**: A combination of chart field values in the University’s Chart of Accounts that brings meaning to the transaction.

**Accounting Date**: For the purposes of this UOP, the accounting date is the date of the original expense in the General Ledger of the university’s accounting system.
Advance Account: A project that facilitates the initiation or continuation of a sponsored agreement before receipt of the award or official notice from the sponsoring agency. A guarantee of internal funding is required before an advance account is approved in case funding is not awarded.

Cost Transfer: A cost transfer is the assignment of an expense or expenditure (charge) to a sponsored agreement that was initially recorded elsewhere in the University’s general ledger.

Documentation: A detailed explanation and support documents as evidence to substantiate allocability, allowability, and reasonableness of a specific transaction.

Federal Formula Grant: Federal funding for which the allocation methodology is strictly determined in federal statute or regulation. University examples of federal formula grants are the Hatch, McIntire-Stennis, Multi-State, Animal Health and Smith Lever Acts for Agricultural Research and Extension purposes.

HHS Grants Policy Statement: The Health and Human Services policy requirements that serve as the general terms and conditions of HHS discretionary grant and cooperative agreement awards.

NIH Grants Policy Statement: The National Institutes of Health policy requirements that serve as the terms and conditions of NIH grant awards.

Payroll Costs: Salary, wage, and stipend expenses paid through the University’s PeopleSoft Human Capital Management module. All additional payments above the base salary or hourly rate are included in these costs.

PI (Principal Investigator): As defined by Sponsored Project Administration, the individual responsible for determining that the expenditures are necessary, allowable, allocable, reasonable, properly approved, and adequately documented. A PI may delegate authority for this determination but may not relinquish responsibility for compliance.

Procurement Card Interim Reallocation Process: The online method of reallocating charges from the default chart string assigned to a purchasing card to another authorized chart string. These reallocations occur within the purchasing card cycle of the original purchase.

Verification of Transactions: A process whereby financial transactions are analyzed to see if they meet the standards of reasonableness, allowability, and allocability, and are in accordance with sponsor and University guidelines.

Contacts and Responsible Official

Payroll Cost Transfer Request questions should be directed to Cost Accounting Services:

Assistant Controller
Cost Accounting Services
(802) 656-1375
Non-Payroll related Cost Transfer Requests questions should be directed to:

Sponsored Project Administration
(802) 656-3360

The Vice President for Finance and Treasurer is the official responsible for the interpretation and administration of this University Operating Procedure.

Forms

University Cost Transfer Request Justification Form
http://www.uvm.edu/~cntrllrs/cas/cost_transfer_form.pdf

Related Documents/Policies

Cost Policy on Sponsored Agreements
http://www.uvm.edu/policies/grants/SponAgree_CostPolicy.pdf
Cost Transfer Procedures (University Financial Manual)
http://www.uvm.edu/~fmoprman/
Effort Management and Reporting on Sponsored Agreements Policy
http://www.uvm.edu/policies/grants/effortreporting.pdf
Establishment of Advance Accounts for Sponsored Agreements Procedure
http://www.uvm.edu/policies/grants/AdvanceAcc4Sponsored.pdf
Health and Human Services Grants Policy
http://www.ahrq.gov/fund/hhspolicy.htm
National Institutes of Health Grants Policy Statement
OMB Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards:
http://www.ecfr.gov/cgi-bin/text-idx?SID=704835d27377ef5213a51c149de40cab&node=2:1.1.2.1&rgn=div5

Effective Date

Approved by the Vice President for Finance and Treasurer January 1, 2013