



## Policy Statement

It is the policy of Loyola University Chicago that costs should be charged to the appropriate sponsored project when first incurred. There are circumstances in which it may be necessary to transfer expenditures to a sponsored project subsequent to the initial recording of the charge. Those transactions require monitoring for compliance with Loyola University Chicago policy, Federal regulations, sponsor specific guidelines, and the cost principles that underlie fiscal activities on sponsored projects.

When Loyola University Chicago accepts Federal research funding, it must comply with the allowability and allocability requirements of the Federal Cost Principles and the Uniform Administrative Requirements at 2 CFR Part 200. To comply with the allowability and allocability requirements it is necessary to explain and justify transfers of charges onto federal and non-federal sponsored projects from other federal or non-federal projects. The cost principles prohibit the use of cost transfers for the purpose of “convenience”, including a transfer largely for the purpose of using unexpended funds on an award that is ending. Timeliness and completeness of transfers and the accompanying justification for the transfers are important factors in supporting allowability, allocability, and cost compliance.

In order to maintain consistency in the treatment of cost transfers, Loyola’s policy on cost transfers applies to all federal and non-federal sponsored projects. Under Loyola’s Cost Transfer Policy, all transfers must be submitted within 90 calendar days of the end of the month in which the expense is posted. When transfers are not adequately justified or are made for inappropriate reasons, the department is responsible for transferring the expense to a non-sponsored departmental funding source.

## Reason for Policy

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate control systems:

- Frequent cost transfers
- Late cost transfers
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Inappropriate transfers will result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency.

## Definition of Cost Transfers

A cost transfer is an after-the-fact reconciliation of costs, either salary or non-salary, to or from a sponsored project within a 90 day period from the end of the month in which the expense posted. Funding agency requirements concerning the management of awards made to institutions such as Loyola University Chicago limit the circumstances under which cost transfers are allowed.



In contrast, a rebudgeting action involves the reallocation of budgeted funds and not a transfer of expenditures posted to the general ledger. Rebudgets on sponsored projects, if needed, should involve the Office of Research Services (ORS) and Advancement, as necessary.

Here are some examples of typical circumstances in which cost transfers are allowed:

- Correction of a clerical error
- Reallocation of expenses where multiple projects benefitted
  - *Note:* Costs should be charged to each project in proportions that can be reasonably determined
  - *Note:* If transferring salary (effort), transfer of salary (effort) must be reasonable and reflect actual effort expended
- Reallocation of shared resource costs
- Transfer of pre-award costs from discretionary or start-up funds to a sponsored project
  - *Note:* These expenses should be minimized or eliminated with use of an [Advanced Accounting Unit Request Form](#)
- Reallocation of a salary expense

Cost transfers are almost always reviewed when an accounting unit, department or university is audited. Auditors will shift the burden of proof of allowability to the institution for accounting units that receive a charge as a result of a cost transfer. **The department/PI is primarily responsible for charging and reviewing their grants so the burden of proof regarding allowability will ultimately be on the department.**

Auditors will consider the *rationale, nature and timing* of a cost transfer in determining whether the transfer passes the tests of reasonableness and allowability. The entire set of circumstances will be examined during an audit to determine allowability.

A key factor to the timely processing of cost transfers is the monthly review of a department's sponsored program accounting units. It is critical that the sponsored program accounting units be reviewed on a monthly basis in order to facilitate the timely submission of cost transfers. The Grant Expenditure Review Policy at <http://www.luc.edu/spa/policies.shtml> further explains PI responsibility with regard to grant expense.

## Late Cost Transfers

A late cost transfer is an after-the-fact reallocation of costs, either salary or non-salary, to a sponsored project more than 90 calendar days from the end date of the month in which the expense posted. Any transfer made more than 90 calendar days of the end of the month in which the transaction posted raises serious questions regarding the propriety of the transfer.

Two examples of typical circumstances in which late cost transfers may not be allowed are:

- Reallocation of expenses because the grant has unexpended funds



- Reallocation of expenses because the clerical error was not noticed within 90-calendar days from the end of the month in which the expense posted

Exceptions to the cost transfer policy (an approval of cost transfers more than 90 days after the end of the month in which the expense posted) may be granted if extenuating circumstances warrant the transfer and must be approved by the Associate Vice President of Sponsored Program Accounting. Note, however, that once a final Financial Status Report, Federal Financial Report or Report of Expenditures has been issued or the accounting unit has been closed, retroactive cost transfers onto the project are not permitted.

Requests for exceptions to the cost transfer policy should:

- Be made in writing to Sponsored Program Accounting
- Contain justification for the cost transfer and,
- Include a detailed explanation as to why the transfer is late, how the expense will benefit the project it is being transferred to, and how similar transactions will be prevented in the future.

## Cost Transfer Procedures

**Salary Transfers:** An appropriate payroll form must be submitted through regular channels. A valid justification or explanation for the transfer should be included on the payroll form. If there is not enough room on the form to justify the request, an accompanying email or memo may be submitted to the appropriate SPA Grant Administrator to pair with the payroll form.

*Note:* If the salary transfer is approved and processed, a revised Effort Certification may need to be approved by the PI.

**Non-Salary Transfers:** A transfer request should use the [expense transfer form](http://www.luc.edu/finance/forms.shtml) found at Finance/Forms/General Accounting Forms/Expense Transfer <http://www.luc.edu/finance/forms.shtml>. A valid justification or explanation for the transfer should be typed in the expense transfer form comments box. If there is not enough room on the form to justify the request, an accompanying email or memo may be submitted to the appropriate SPA Grant Administrator to pair with the expense transfer form.

Sponsored Program Accounting will return any salary transfer (adjustment) or expense transfer with a vague or incomplete justification.

## Sample Justifications for Cost Transfers

Below are sample justifications for cost transfers. The reasons the below cost transfers **may not** be deemed allowable under audit is listed along with the potential remedies and re-written, acceptable justifications.



Note that late cost transfers require specific elements and the below justifications do not contain enough information to explain the reason for a transfer more than 90 calendar days of the end of the month in which the transaction posted. *See above: Late Cost Transfers*

- **Questionable Justification- “To transfer overage to related project”**

*Reason Justification is Questionable* – Transfer of overages from one project to another is not permitted.

*Potential Remedy* – If projects are related identify which costs are to be shared and clearly indicate how the amount to be shared was determined.

*Acceptable Justification* – To transfer supplies used on related projects. Supplies should be shared equally on both projects therefore 50% of the cost of the items are being transferred.

- **Questionable Justification – “To correct expenditures charged incorrectly due to clerical error”**

*Reason Justification is Questionable* – There is insufficient explanation of why and how the clerical error occurred. In general, this explanation is only adequate if a transposition error occurred. If a transposition error did occur it should be stated as the reason for the incorrect charge.

*Potential Remedy* – Explain the nature of the clerical error.

*Acceptable Justification* – The technician who ordered supplies used the accounting unit number of a project which was closed. She has been instructed to use the new number. I’ve also asked that all supply orders be reviewed and approved by the department administrator to prevent this from occurring again.

- **Questionable Justification – “To transfer unallowable maintenance costs from Dr. Smith’s American Heart Association project to his related NIH project”**

*Reason Justification is Questionable* – Determining a charge is unallowable on one project is not a sufficient reason for charging another project. The expense must have been incurred to benefit the project being charged for the charge to be allowable.

*Potential Remedy* – The maintenance cost can only be charged to a sponsored program accounting unit that benefited from the expense. If none are available the cost must be transferred to a non-sponsored accounting unit.



*Acceptable Justification* – To transfer ½ of the maintenance charges to Dr. Smith’s NIH project on which the equipment was used. The other ½ is being transferred to an operating/general development/research stimulation accounting unit.

- **Questionable Justification – “To charge the appropriate accounting unit”**

*Reason Justification is Questionable* – This does not adequately explain why the wrong accounting unit was charged. Why is the accounting unit now selected more appropriate? How was the amount to be transferred determined?

*Potential Remedy* – Explain why the accounting unit being charged is appropriate and how the amount being transferred was determined.

*Acceptable Justification* – To transfer 100% of technician’s salary for the indicated months to the project where his effort was spent. The administrator was not informed that the technician changed projects.

- **Questionable Justification – “To transfer \$500 of supply costs to the appropriate accounting unit”**

*Reason Justification is Questionable*– The amount transferred and the reason for the transfer are not adequately justified. Are the projects related? Why, other than clerical error, wasn’t the order charged to the proper accounting unit?

*Potential Remedy* - Explain how the amount was determined and why the accounting unit being debited should be charged.

*Acceptable Justification* – To transfer 50% of supplies to Dr. Smith’s NIH accounting unit. Supplies are to be shared equally between the two related projects.

- **Questionable Justification – “To transfer \$500 of supply costs to the appropriate accounting unit because the accounting unit was not set up when the supplies were ordered”**

*Reason Justification is Questionable* – An Advance Accounting Unit may be established if a grant is anticipated. Charges can post to the AU without a fully executed agreement on file and can eliminate the need for after-the-fact transfers.

*Potential Remedy* – Read the instructions and complete the [Advance Account Authorization Form](http://www.luc.edu/spa/policies.shtml) found at <http://www.luc.edu/spa/policies.shtml>