

System-wide Policy: FI0220 - Sponsored Projects - Cost Transfers	
Version: 2	Effective Date: 10/01/2017

## FI0220 – Sponsored Projects – Cost Transfers

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### Objective:

This policy provides guidelines to ensure the timely allocation of charges or credits to the correct WBS element or cost center.

### Policy:

#### [Applicability](#)

This policy is applicable to all cost elements, except for the timing aspect of the transfer of salary charges and transfers related to graduate student fee waivers and staff tuition as posted to sponsored project WBS elements. Note the university's effort certification policy found in [FI0215 - Sponsored Projects - Effort Certification](#) and [FI0207- Sponsored Projects - Salary Policy](#) for timeliness guidelines relative to salary transfers resulting from effort certification. Also, see Appendix 1 regarding graduate student fee waivers and staff tuition exceptions. However, all charges, including salaries, must be processed within 60 days after the sponsored project end date to ensure the timely submission of final financial reports.

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**General Information**[https://policy.tennessee.edu/fiscal\\_policy/fi0220/](https://policy.tennessee.edu/fiscal_policy/fi0220/) - top

1. A cost transfer is a timely after-the-fact transfer of expenditures to or from a WBS element associated with a sponsored project.
2. New WBS elements should be established as quickly as possible, or not later than when work begins on the project. See your campus/institute procedures for requesting advance WBS elements. [FI0205 - Sponsored Projects](#), section 14 for further information.
3. Institutions receiving any form of sponsored project funding are potentially subject to audit disallowances without sufficient control and documentation of cost transfers.
4. For a cost transfer, documentation must establish that the expenditure is appropriate for the WBS element. The charge must be allowable, allocable, and directly applicable to the activity represented by the project. See [FI0206 - Sponsored Projects - Distinguishing Direct vs Indirect Costs](#) for further explanation.

**Guidelines**

5. A cost transfer cannot be processed on a closed WBS element or cost center.
6. A cost transfer that will overspend a WBS element or cost center will not be processed, unless an increase in funding is indicated.
7. If the amount being transferred differs from the amount indicated on the backup documentation, the written explanation must include a justification for the difference.
8. All cost transfer requests must have appropriate documentation, determined by the timing of the transfer, consisting of a justification, explanation, and required approvals. Requests containing all required information are still subject to possible denial; therefore, departments should make every effort to ensure expenditures are originally charged to the appropriate account. The department or college is required to fund all denied cost transfer charges and credits.

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9. Any cost transfer should be so complete or detailed that a person completely removed from the situation (e.g., an auditor) will be able to look at the request five years from now and understand what and why the entry was made.

### Timing

10. Additionally, the timing of cost transfers is important. Each transfer should be made within 90 days of the original charge and should be processed as soon as the need is identified. This is particularly critical when approaching the end of a budget period. Any cost transfer requests greater than 90 days after the original charge require a completed campus/institute cost transfer explanation form.

For cost transfers that are moving expenditures between 91 and 120 days, the Department Head must sign the form in addition to the Principal Investigator.

If under rare circumstances it should be necessary to make a cost transfer beyond 120 days, additional signatures are required by the Dean and the appropriate Campus/Institute Business Officer.

Requests for late cost transfers should include an explanation of the extenuating circumstances that prevented the transaction from being made earlier. Requests to transfer costs later than 90 days after the original transaction without an approved explanation of the circumstances will be denied, and the department or college will be responsible for all costs.

However, all charges, including salaries, must be processed within 60 days after the sponsored project end date to ensure the timely submission of final financial reports.

### Types of Cost Transfers

11. Cost transfers may be necessary to:
- a. Correct errors;

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- b. Properly allocate costs using a verifiable and reasonable method in accordance with cost accounting principles;
- c. Transfer charges supporting closely related work for reasons other than covering over-expenditures and deficiencies.

Under no circumstances can costs that directly benefit nonfederal projects be transferred to federal projects, whether or not interrelated, if the federal project does not also benefit from the expenditure.

### Closely Related Work

12. When the work supported by one sponsored project is determined to represent work closely related to that of another sponsored project, a cost transfer from one of the WBS elements or cost centers to the other may be made when the following conditions are met:
- a. The projects are scientifically and technically related.
  - b. The projects are under the direction of the same principal investigator and/or co-principal investigator.
  - c. There is no change in the scope of the sponsored projects involved.
  - d. The relating of the costs will not be detrimental to the conduct of work under each award.
  - e. The relatedness will not be used to circumvent the terms and conditions of the awards.

### Documentation

13. The details of the cost transfer must include:
- a. Original document number and posting date;
  - b. Justification of the appropriateness of the charge or credit; and
  - c. A full explanation of why the transfer is necessary. Note: "To correct error" is not sufficient.

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14. The funding agency expects the official documentation for a cost transfer to include complete explanation of the reason the transfer is being made. See <http://grants.nih.gov/grants/policy/policy.htm>

### **Disallowances**

15. The campus department is responsible for appropriately funding any cost transfers that are disallowed due to failure to meet the timing or documentation requirements stated above.
16. Exceptions to this policy may be made in writing and approved by the campus business officer (CBO) or their designee.

### **Appendix 1 - Graduate Student Fee Waivers and Staff Tuition Exceptions**

Graduate student fee waiver and staff tuition expenditures are posted to the university ledgers generally at the beginning of a semester. During the course of the semester, the student may have effort associated on more than one project or cost center in which the costs of the graduate student fee waiver/staff tuition may need to be reallocated accordingly. This supplement grants an exception to fiscal policy and gives the department permission to process the necessary cost transfers without the “Cost Transfer Explanation” form and additional approvals provided that the transfers are posted within 30 days following the end of the semester in which the original graduate student fee waiver/staff tuition expenditure was incurred; however, all allocable costs must be posted within 60 days after the sponsored project WBS element has expired.

The transfer of graduate student fee waivers and staff tuition more than 30 days after the semester has ended, must follow the current fiscal policy and complete the “Cost Transfer Explanation” form and obtain additional prior approvals.

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## PROCEDURES:

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

## FOR MORE INFORMATION:

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## FORMS:

- [Cost Transfer Explanation Form](#)
- [Request for Advance WBS Element Form](#)

**Related Policies:** [FI0205 - Sponsored Projects](#), [FI0210 - Sponsored Projects - Cost Sharing](#), [FI0215 - Sponsored Projects - Effort Certification](#), [FI0230 - Sponsored Projects - Subaward Origination and Subrecipient Monitoring](#), [FI0235 - Sponsored Projects - Program Income](#), [FI0420 - Contracts](#)