Policy 7.19
Cost Transfer

This policy establishes requirements for processing transfers of direct costs to or from sponsored agreements. The requirements are based on federal policies and good management practices. If an individual agreement or sponsor has different requirements than those outlined, the most restrictive practice will be followed.

Applicability

This policy applies to all federal and nonfederal sponsored agreements, except cost transfers to nonfederal fixed price agreements.

Policy Details

Federal regulations, generally accepted accounting principles, and good management practices require that all costs incurred be appropriate to and for the direct benefit of the account charged, and that accounting records be maintained on timely and accurate basis. Sponsored agreements should be monitored on an on-going basis for appropriate and accurate expenditures. Cost transfers may occasionally be necessary to correct errors in the original charges or for other reasons, such as adjustments of salary charges where the actual distribution of an employee’s effort in an effort certification report differs from the budgeted distribution used to charge the accounts. These transfers, however, must be properly documented and processed within a reasonable period of time. The following requirements apply to all cost transfers:
1. The cost being transferred is a proper and allowable charge to the receiving account (i.e., the cost benefits the project and is otherwise allowable under federal cost principles and/or other terms of the agreement).

2. The transfer is supported by documentation that clearly explains why the transfer is being made. The explanation must be sufficient for an independent reviewer (e.g., an auditor) to understand the transfer and conclude that it is appropriate. In some cases, this may be accomplished by a very brief statement (e.g., a transfer to correct a transposition error), while in others, a more elaborate explanation and justification may be needed. A statement that merely states "to correct error" or "to transfer to correct project" is not adequate.

3. A cost transfer may be accomplished by the use of several forms, depending upon the type of cost to be transferred. (Copies of these forms are attached in Appendix A). The transfer document must be signed by a responsible person having knowledge of the circumstances surrounding the transfer certifying that the cost being transferred is a proper and allowable charge to the receiving account.

4. Under no circumstances may expenditures be placed on a sponsored account for reasons of convenience or funding availability with the intention that they will be removed to the proper account at a later date. Such "parking" of costs violates sponsoring agency guidelines and is strictly prohibited.

5. The transfer document should be submitted as soon as possible after the error is detected or other reason for the transfer becomes known. Although the majority of transfers should occur much sooner, 90 days after the original charge is considered to be the maximum reasonable time period under normal circumstances. If there are extenuating circumstances that cause a delay beyond the 90-day period, the reason for the delay must be included in the documentation supporting the transfer. Transfers over 90 days from cost incurrence must also be personally signed and certified by the Principal Investigator. In some cases, as explained later in paragraph 7 below, the transfer document must be submitted earlier than the normal 90 day maximum. All transfers to correct errors resulting in a credit to sponsored accounts must be made regardless of timing.

6. Whenever a cost transfer involves accounts in different departments, the transfer must be authorized by both departments.

7. A debit cost transfer will normally not be processed for a cost item for which a financial report has already been filed, unless the cost was accrued on the financial report. To the maximum extent possible, cost transfers related to a financial reporting period will be processed prior to submission of the financial report. Most agreements have a 90-day report receipt cycle. This means that cost transfers will normally need to be submitted within 60 days of the budget period end date in order to be included in the financial report. (For agreements with shorter report cycles transfers will need to be submitted earlier in order to be included on the financial report.)

8. Costs will not normally be transferred more than once. Since the original cost transfer has already been justified, documented, reviewed, and accepted as appropriate, a second transfer of the same cost is highly suspect and should be unnecessary. Debit transfers will normally not be processed against a sponsored agreement, if the cost was previously transferred, unless there are extraordinary circumstances (e.g., data entry error on the original cost transfer submitted).

9. All sponsored agreement cost transfers greater than $1000 per line must be pre-approved by the Office of Grants and Contracts Accounting (OGCA) before processing. Cost transfers less than $1000 must be approved by the approving authority established within each School.

Inter-Departmental Charges and Transfers
The Inter-Departmental Charges and Transfer form (IDCT) is normally used to bill costs from service centers, from central billing centers or from one department to another, when there has been a previous agreement to bill for the costs. The originator has been directly advised by the user of the goods or services of the appropriate account to be charged. IDCTs are primarily used as an internal invoicing system (Examples: HSC photocopying, chemistry stockroom, animal resources), but may also be used for other transactions. IDCTs may only be used for non-payroll costs.

**Journal Vouchers**

The Journal Voucher (JV) form may be used for any non-salary cost transfer. JVs are primarily used to correct accounting errors. JVs must be submitted with documentation attached showing the accounting entry to be corrected (i.e., FAS printout, AMO91 copy, etc.). JVs are processed for individual cost items, and each item, to be corrected must be detailed separately on the JV. Within the Emory accounting system, most JVs will be processed as a "60" (non-frozen account) entry or a "62" (frozen account) entry. Occasionally, departments may process a "49" entry. A "49" entry is similar to an IDCT in that a central account is redistributing costs or recharging to multiple accounts. "49" entries are only used for selected activities and accounts with a recharge function.

**Retroactive Salary Transfers**

Only the Retroactive Salary Transfer (RST) form may be used to process a salary/wage cost transfer. RSTs are only used to adjust or transfer salary charges and do not initiate salary payments nor adjust total salary paid. RSTs must be submitted with documentation attached showing the accounting entry to be corrected (i.e., labor printout). RSTs which change income tax reporting status (e.g., from compensation to stipend) will not normally be processed after the close of the tax year reporting period (i.e., corrections usually must be processed prior to mid-January for pay periods prior to December 31). Since payrolls are processed based on the anticipated effort distribution on the Human Resources Action Forms (HRAF), departments should monitor HRAF information on an on-going basis to assure that the appropriate anticipated effort is reflected in the payroll distributions. Sponsored agreements have limited performance periods and frequently change account numbers. It is, therefore, important that HRAF information be closely monitored for all individuals working on sponsored agreements.

Because RSTs may affect effort certification reporting, RSTs are subject to additional requirements, as follows.

1. **Monthly/Exempt Employees**
   RSTs that are a result of changes made on effort certification reports must be submitted before or at the time the Effort Certification Reports (ECR) are submitted. RSTs may not be processed for pay periods within an effort certification period (September - February, March - August) for which an ECR has already been submitted and is on file in OGCA, unless:
   
   a) The RST adjusts the salary distribution to the amount/account reported on the ECR or
   b) The RST credits a sponsored agreement and debits a University account and the effort remains the same on the sponsored agreement (i.e., an adjustment to show University cost-shared effort on the sponsored agreement).

1. **Bi-Weekly Employees**
   For bi-weekly employees, the time sheet is the effort certification. The time sheet is signed by the employee and a supervisor. The time sheet is pre-printed with account numbers and hours/percent, based on the HRAF on file for the pay period. In addition to
the hours worked, the time sheet signatures certify the accounts charged. Departments may change the distribution of a bi-weekly employee’s wages to reflect actual effort by completing the "Account Overrides" portion of the time sheet. Because the time sheet is the effort certification, RSTs will not normally be processed for bi-weekly employees, except under the following circumstances.

a) Documentation is provided of a data entry or other system error that occurred either in establishment of the HRAF or in keying the account override portion of a time sheet. All such corrections should be submitted within one month of the error. (Because labor reports are only generated on a monthly basis, one month is defined as the labor month after the error occurred.)

b) The RST is correcting the salary distribution to a successor account, which was not established in the system prior to the payroll processing. All such corrections should be submitted within one labor month of the error or within one month of establishment of the new number in the accounting system, whichever comes first. (HRAF changes to establish the new account should be submitted as soon as the new account number is in the system.)

c) The RST is charging a new sponsored account, where the award processing has been delayed and the account was not in the accounting system prior to payroll processing, but work was performed for the agreement. All such corrections should be submitted within one labor month of establishment of the new account. (HRAF changes to establish the new account should be submitted as soon as the new account number is in the system.)

d) The RST is crediting the sponsored agreement and the salary is being charged to an unrestricted account. (The original time sheet remains on file and the correcting entry establishes cost-shared effort to the sponsored agreement.)

There may be other mitigating circumstances for processing a bi-weekly RST to charge a sponsored agreement. However, such cost transfers should be extremely rare. General explanations such as "administrative oversight or clerical error" will not be sufficient to process a debit RST to a sponsored agreement. Any exceptions to the bi-weekly procedures will be reviewed on a case-by-case basis and must be preapproved by the Assistant Vice President for Finance - OGCA.

Definitions

Cost Transfers - Cost transfers occur whenever an expenditure is moved from one account to another. The sponsored account can be the one receiving the charge (debit) or the one from which the charge is being removed (credit).

Related Links

* Current Version of This Policy: [http://policies.emory.edu/7.19](http://policies.emory.edu/7.19)

Contact Information

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Revision History

Emory University policies are subject to change at any time. If you are reading this policy in paper or PDF format, you are strongly encouraged to visit policies.emory.edu to ensure that you are relying on the current version.