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. This policy applies to all sponsored agreements (federal and nonfederal).

Applicability

This policy applies to faculty, staff and students at Emory University, who are managing funds related to sponsored agreements.

Policy Details

7.19.01 GENERAL POLICY

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 a 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. However, these transfers, must be properly documented and processed within a reasonable period of time. Failure to process corrections on a timely basis is a potential management and oversight finding and could lead to disallowed costs. In addition, disallowed costs could lead the sponsor to extrapolate this inappropriate activity across all of the sponsor’s awards, resulting in larger disallowed costs.

The following requirements apply to all cost transfers:
1. The cost being transferred must be a proper and allowable charge to the receiving account (i.e., the cost benefits the project and is otherwise allowable under sponsor 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). In other cases, 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. Each cost transfer must have a specific justification related to the unique issues related to the correction needed.

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 and certifying that the cost being transferred is an appropriate and allowable charge to the receiving account. Each Department/School/Administrative Entity will establish authorized signers for their unit.

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 audit requirements and is strictly prohibited.

5. Under no circumstances, may costs be transferred to one sponsored account to relieve over expenditure or compliance requirements on another account or sponsored agreement.

6. The transfer document must 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, except under exceptional circumstances, 90 days after the original charge is considered to be the maximum reasonable time period to process a cost transfer. 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. In addition to the departmental signatures, transfers over 90 days from cost incurrence must also be signed and certified by the Principal Investigator.

Transfers over 90 days from cost incurrence must also be signed and certified by the School/Administrative Entity designee.

Transfers over 90 days from cost incurrence, in addition to having an explanation of how the error occurred, must include an explanation of how similar errors will be prevented in the future.

In some cases (such as noted in paragraph 8 below and the effort certification section of this policy); the transfer must be submitted earlier than the normal 90 day maximum.

All transfers to correct errors which result in a credit to a sponsored account must be made, regardless of timing. Sponsored credit transactions will be processed outside the time frame of these guidelines.

Cost transfers debiting a sponsored project will not be processed after 90 days except under extraordinary circumstances, such as:

(a) A continuation/renewal award is received late and the nature of the award documents result in an “unexpected” need to change account numbers. Transfers to such successor accounts will be approved, so long as the cost transfer is processed within 90 days of establishment of the new account. Transfers in excess of 90 days from the new account establishment, will not normally be processed.

This provision does not apply to continuation/renewal awards where the need to change account numbers is “known” prior to the budget end date or receipt of the award documents. For those awards, a PAN (Provisional Account Number) should be requested/established, on a timely basis, to minimize cost transfers from one account to another. All cost transfers to the successor account should be processed within 90 days of the budget end date of the predecessor account or the establishment of the account (whichever comes first.). If the department does not request establishment of the PAN, on a timely basis, transfers, even to successor accounts, may be denied if in excess of 90 days.

(b) A PAN request was submitted prior to the award receipt and the cost was booked to an unrestricted account in anticipation of the award or the PAN, and the transfer is processed within 90 days of establishment of the new account. Transfers in excess of 90 days from the new account establishment or from unrelated sponsored accounts, will not normally be processed.

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

8. 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. Cost transfers related to a financial reporting period should 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.)

OGCA must have the cost transfer documents “in hand” in order for the expenditure to be accrued to a financial report. OGCA will not revise FSRs based on submission of late debit transfers.

9. 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 system circumstances (e.g., data entry error on the original cost transfer submitted). Credit transfers to a sponsored agreement may be processed, even if the cost has been transferred more than once.

10. All sponsored agreement cost transfers must be approved by the Office of Grants and Contracts Accounting (OGCA) before processing. Cost transfers greater than $10,000 or in excess of 90 days must also be approved by the PI and the School/Administrative Entity designee.

11. Except as described in 6 above, cost transfers debiting a sponsored project will not be processed, under any circumstances, after 150 days from the incurrence of the cost.

7.19.02 INTER-DEPARTMENTAL CHARGES AND TRANSFERS

Inter-Departmental Charges and Transfers (IDCT) are 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. IDCTs will normally be processed in a journal voucher format. The initial IDCT charge is not considered a cost transfer under the terms of this policy. For the purposes of this policy, the initial IDCT is treated as a vendor payment and the date of the recharge posting is considered the cost incurrence date.

7.19.03 JOURNAL VOUCHERS/E-JOURNALS

The Journal Voucher (JV/EJ) 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. Each item must be detailed on a separate line of the JV. Costs cannot be grouped.

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. "49" entries should not be used for cost transfers.

7.19.04 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 cannot be used to initiate salary payments or adjust total salary paid. RSTs must be submitted with documentation attached showing the accounting entry to be corrected (i.e., labor printout). RSTs must be completed with individual payroll items detailed as a separate line on the RST. Costs cannot be grouped.

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 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 and their labor reports 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. Therefore, it is important that HRAF information be closely monitored for all individuals working on sponsored agreements.

Because RSTs may affect Effort Certification Reports (ECR), RSTs are subject to additional requirements, as follows.

1. **Monthly/Exempt Employees**

RSTs that are a result of changes made on ECRs must be submitted before or at the time the ECR is 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 and the RST is submitted within 60 days of the ECR submission 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).

Even though ECRs are normally filed on a 6 month basis, the 90 day cost transfer procedures apply to all labor cost transfers. The ECR process does not (automatically or in itself) provide an exception to the timeliness requirements. Unless extraordinary circumstances are approved, RSTs debiting a sponsored project will not normally be processed after 90 days from the pay period. Departments should complete labor/effort reviews on a monthly basis, to assure timeliness of cost transfers and to minimize problems for ECRs.

2. **Bi-Weekly Employees**

Effort certifications for bi-weekly employees are processed on a monthly basis. RSTs may be submitted on-line (automatically generated), as part of the ECR process. Unless extraordinary circumstances are established, RSTs debiting a sponsored project will not normally be processed after the certification has been filed or after 90 days 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).

**Definitions**

**Cost Transfer:** 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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<th>Contact</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarification of Policy</td>
<td>Office of Grants and Contracts</td>
<td>404-727-4240</td>
<td><a href="mailto:orca@emory.edu">orca@emory.edu</a></td>
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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.