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**COST TRANSFERS ON SPONSORED PROJECTS**

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**Scope:** All campuses served by Louisiana State University (LSU) Office of Accounting Services, except those campuses which have a written policy with regard to cost transfers on sponsored projects.

**Effective:** July 1, 2007. This FASOP supersedes and replaces all prior versions.

**Purpose:** To set forth the conditions under which transfer of costs to sponsored projects (i.e., projects defined as "Organized Research" or "Sponsored Instruction and Training" by Office of Management and Budget (OMB) Circular A-21) would be allowed, to comply with federal requirements, and to ensure the integrity of our accounting system.

**Procedures:**

A cost transfer is an after-the-fact reallocation of the cost associated with a transaction from one account to another. A cost transfer is any transfer of expenditures to a sponsored project via a journal voucher (CJ or SJ) or a personnel action form (PAF). Although it is preferable to charge costs to the correct account when they are incurred, cost transfers are, on occasion, necessary. To be allowable, cost transfers must be timely, fully documented, conform to University and sponsor allowability standards, and have appropriate authorizing signatures. A cost transfer should be so complete or detailed that a person completely removed from the situation should be able to look at the request and know why this entry was made. An explanation which merely states that the transfer was made "to correct error" or "to transfer to correct project" is not acceptable; further information is required. It is important to stress the benefit to the project receiving the cost. Also, the reason(s) why the expenditure was initially charged to the incorrect account must be included in the justification.

**A. Types of Allowable Cost Transfers**

Cost transfers may be necessary to:

1. Correct bookkeeping and clerical errors in original charge.
2. Properly allocate costs to the appropriate accounts using a verifiable and reasonable method in accordance with cost accounting principles.
3. Transfer charges between accounts supporting closely related work for reasons other than to cover overdrafts or to spend remaining funds.
4. Record expenditures for pending awards. If it is necessary to incur costs prior to receipt of an anticipated award, the Principal Investigator (PI) should complete Accounting Services Form AS494, "Tentative Account Request", to request a tentative account number from Sponsored Program Accounting (SPA).

**B. Types of Cost Transfers Not Allowable**

1. Cost transfers to other sponsored projects for the purpose of eliminating budget overdrafts and avoiding restrictions. Such cost overdrafts must be transferred to an appropriate account to assure that the expenditures are properly recorded for facilities and administrative (F&A) cost development.
2. Cost transfers to a project for the sole purpose of expending the remaining balance.

3. Cost transfers from one budget period to the next solely to cover cost overdrafts.
4. Large transfers of expendable materials into the project in the last month of a project.

#### C. Criteria

1. The cost must be a proper and allowable charge to the project to which it is transferred.
2. The cost transfer request must be supported by documentation that contains a full explanation and justification for the cost transfer. A copy of the ledger sheet with the expenditure identified (e.g., highlighted, underlined) must also be attached.
3. For a non-payroll cost transfer, AS226, "Request for a Non-Payroll Cost Transfer", must be completed to transfer expenditures to a sponsored agreement. This procedure does not apply to cost transfers to expired fixed price agreements – such transfers require only submission of a journal voucher with a copy of the ledger sheet with the expenditure appropriately annotated. For a personnel cost transfer, an AS227, "Justification for Retroactive Personnel Form", must be attached to the PAF. It is essential that the distribution of effort reported on the Personnel Activity Report (PAR) and the payroll appointment form are consistent. If not, the PAR must be corrected and recertified.
4. The cost transfer must be timely as defined in section D.
5. The transfer must be approved by the appropriate PI and SPA personnel. Late requests must be approved by the unit head and Director of SPA.

#### D. Timing

1. Cost transfers should be prepared and submitted as soon as the need for a transfer is identified.
2. The cost transfer must be timely – within 90 days from the end of the month in which the original entry was recorded. Requests for cost transfers to be processed beyond the 90 days must include an explanation of the extenuating circumstances that prevented the cost transfer from being made earlier and requires the additional approval of the unit head and the Director of SPA.
3. Cost transfers are not allowable following the submission of the final expenditure report to the sponsor.

#### E. Disallowance

Constant or frequent transfers raise serious questions about their propriety as well as the overall reliability of the accounting system and internal controls.

The department with which the charge is affiliated is responsible for appropriately funding any cost transfer that is disallowable due to failure to meet requirements stated above. The department will be held financially responsible if any cost transfer is later disallowed during an audit.