

Cost Transfers (Expenditure Corrections)

What are Cost Transfers?

A Cost transfers occur when expenditures are moved from one funding source to another.

Types of Cost Transfers at MSU

- Finance Expenditure Correction form (non-Payroll related cost transfers) <http://www.montana.edu/wwwbu/forms.html>
- Payroll Correction Request form (Payroll cost transfers) <http://www.montana.edu/hr/Payroll/payroll%20funding%20correction%20form.pdf>

Regulation of Cost Transfers

Per OMB Circular A-21: expenses may not be shifted to another sponsored agreement in order to:

- Meet deficiencies caused by overruns or other fund considerations
- Avoid restrictions imposed by law or by terms of the sponsored agreement
- Or, for other reasons of convenience

Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.

When sponsored projects are reviewed, inappropriate or poorly documented cost transfers can result in auditors denying reimbursement of the expenditures or even in the imposition of sanctions against the University.

When May Cost Transfers be Appropriate?

Federal regulations recognize three general circumstances under which cost transfers may be appropriate. Cost transfers must occur within **90 Days** of the original transaction

- To correct clerical errors in the original charges (i.e. transposition of #, data entry error, etc.)
- To reflect legitimate re-budgeting as a result of a change from the initial work plan
- When a particular charge to a sponsored agreement benefits another agreement, because of the interrelationship of the work. Note that in some cases, transfers involving “related work” must be approved by the sponsoring agency.

It is the responsibility of the Principal Investigator (PI) and the department to ensure that cost transfers are made promptly when errors are identified and ensure that the transfers are allowable and have adequate justification.

What is required to request a Cost Transfer?

Requests for cost transfers to correct errors made within 90 days of their posting and must be approved and signed by the PI or authorized signature on appropriate form. Additionally, a [written justification](http://www.montana.edu/wwwvr/osp/documents/Over90DayCorrectionMemo.docx) (<http://www.montana.edu/wwwvr/osp/documents/Over90DayCorrectionMemo.docx>) must accompany the transfer request answering the following:

1. **The cause of the error.**
2. **How the expense directly benefitted the destination project.**
3. **Assurances that the cause of the error has been corrected (to ensure that the same error or type of error will not recur).**

90 Day Rule:

Cost transfers that occur outside the 90 day period will generally be approved only for transfer to **departmental funds** unless OSP determines that extraordinary circumstances warrant transfer to other OSP funds.

In addition to 1 -3 above include:

4. **A description of the extraordinary circumstance warranting the cost transfer**
5. **Approval and signature of the Principal Investigator (authorized signature not allowed)**

Quick Tips:

Finance Expenditure Correction	F&As <u>automatically</u> calculate if expense is normally included in the base for calculation.
Payroll Corrections	F&As same as above
	Only include the Salary amount to be corrected
	Benefits and Term Pool will <u>automatically</u> calculate

For more information click here: [Cost Transfer Policy](http://www2.montana.edu/policy/Cost_Transfer_Policy_for_OSP_Funds.htm) ([http://www2.montana.edu/policy/Cost Transfer Policy for OSP Funds.htm](http://www2.montana.edu/policy/Cost_Transfer_Policy_for_OSP_Funds.htm))

Cost Transfer Justification Samples:

(Please replace italicized and underlined phrases below with project specific information)

Clerical error:

This expenditure was originally charged to this fund number due to transposition or incorrect choice of fund number. This expenditure has specific benefit to the scope of the *destination project name* because *(fill in reason)*.

Grant fund number wasn't opened by start date:

Although the project started on *(date)*, the fund number was not established until *(date)* because a fully executed agreement was received after the start date. This expenditure has specific benefit to the scope of the *destination project name* because *(fill in reason)*.

Transfer between concurrent projects with similar scopes:

This expenditure was originally charged to this fund number due to miscommunication between the PI and the departmental accountant. The accountant has spoken with the PI to ensure the appropriate fund number is used for future expenditures. This expenditure has specific benefit to the scope of the *destination project name* because *(fill in reason)*.

New award number for continuation

The sponsor assigned a new award number for the new project period on this grant. This forced OSP to establish a new fund number for *Year X* of the project. This transfer moves the expenses from the old award number to the new award number. Paperwork has been submitted so that future expenditures post correctly to the new fund number.

Monthly audit by department accountant or PI

The monthly audit by the departmental accountant or PI revealed an accounting error in charging payroll expenses to the award. The accountant was not notified that *this employee* was assigned to this research project. Paperwork has been submitted to appoint this employee to the correct fund number.

Change in administrative personnel

A change in the administrative personnel in the department caused a delay in changing payroll records to accurately reflect where the employee was working. Paperwork has been submitted to appoint *this employee* to the correct fund number.

End of Project Payroll

The payroll records were not updated to reflect that work on the award had been completed. This transfer corrects the accounting error and places the expenses in the proper account. This expenditure has specific benefit to the scope of the *destination project name* because *(fill in reason)*.

On service center (Autobill) charges to default accounts:

These service center expenses are charged to default accounts per standard university accounting system procedure. This transfer will post the charge to the intended grant. This expenditure has specific benefit to the scope of the *destination project name* because *(fill in reason)*.

Justification Example for Over 90 days: (<http://www.montana.edu/wwwvr/osp/documents/Over90DayCorrectionMemo.docx>)

1. The sponsor assigned a new award number for the new project period on *destination project name*. This forced OSP to establish a new fund number for this year of the project.
2. This transfer moves the expenses from the old award *(fill in fund number)* to the new award which has a continuation of the same scope of work.
3. Paperwork has been submitted so that future expenditures post correctly to the new fund number.
4. The extraordinary circumstance for causing this to take more than 90 days was *(fill in reason such as: a vacant administrative position or a change in the administrative personnel in the department.)*.
5. Justification memo signed and dated by PI *(please have PI sign the form)*

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Contact your OSP Research Administrator at X2381 for any questions and/or assistance.