

Office of Sponsored Programs

Cost Transfer Policy

Policy ID: OSP 0004 **Date:** 10/01/18 **Status:** Approved

Policy Type: Public

Issuing Office: Office of Sponsored Programs (OSP)

Responsible Executive: Provost

Affected Parties: Liberty University faculty and staff receiving external funding in the form of sponsored programs.

Reason for Policy: A cost transfer is a reassignment (transfer) of charges within or between cost centers, internal orders or fund account. Cost transfers are used to bill interdepartmental costs, to adjust billing errors, or for other reasons associated with the department's regular financial operations. When cost transfers to move expenses involve sponsored projects, it is critical that the transfer meet the rules for allowability, allocability, reasonableness, and consistency.

Although costs should always be charged to the correct fund account cost object when they are incurred, cost transfers are sometimes necessary.

Policy Statement: LU allows cost transfers involving sponsored projects only in special circumstances, including: error correction, transfers between cost objects of the same sponsored project (e.g., child to child, parent to child, child to parent), costs benefiting more than one sponsored project, or transfer of retroactive expenses (including pre-award costs, when allowable) on a project necessitated by a delay in finalizing contract negotiation.

Anytime you initiate a transfer, you invite the assumption that the initial transaction was not handled properly. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges.

Procedures: Cost transfers must be:

1. **In conformance with University and Sponsor Policies:** allowable, allocable, reasonable, and consistent.
2. **Timely:**
 - Cost transfers should be prepared and submitted as soon as the need for a transfer is identified, but no later than 90 days after the posting is made and/or within 30 days of the project end date, whichever comes first
 - Cost transfers exceeding this time frame will require additional documentation as to why the transfer was not made on a timely basis

3. **Fully Documented:** Cost transfer must contain a justification that clearly shows -

- Benefit to the receiving project
- Allowability and allocability to the sponsored project
- Reason for transfer
- Systemic causes are corrected so they will not recur
- The reason for any delay in the timely processing of the transfer if the transfer date exceeds the definition of timely, above
- It was reviewed by a knowledgeable person such as the PI, OSP and or Accounting Office

4. **Cost Sharing:** If the Cost Transfer involves Cost Sharing, see the **OSP 0006 Cost Sharing Policy.**

A good justification will allow anyone reviewing the cost transfer to understand how the expense benefits the receiving sponsored project.

It should answer: Who, What, Where, When, and Why? It should be easily understood by anyone reviewing the journal voucher (think: "If I leave, will an auditor be able to understand this two years from now?"). It may include documentation to support the justification. Some examples of documentation:

- Allocation methodology
- An invoice or packing slip
- Notes on an expenditure statement, "per PI..."

5. **Supported by appropriate approvals**

Cost Transfer: Example

Inadequate – "To allocate chemicals from department cost object to the appropriate fund account."

Adequate – "Department X used a department general cost object to collect all department chemical charges. All charges to sponsored projects were proposed and approved consistent with LU and sponsor policy and included in the proposal budget. Documentation, including allocation methodology, is in departmental files."

Transfers of Salary/Fringe Expenditures

- Based on departmental procedures and OSP policies, LU employees paid via sponsored programs must use the "*Sponsored Programs Payroll Disbursement Request*" to initiate an individual's payroll to the associated grant FOPAL.
- Employees receiving payroll as part of a temporary supplement (a.k.a. Ancillary Work) using sponsored program funds must also submit to HR an "Employee Ancillary Work Agreement." **See OSP 0001 Institutional Base Salary Policy** for definitions.
- Non-Employees receiving sponsored program payroll will be paid by HR using the "Short Form Service Agreement for Miscellaneous Services" form.

- All forms must be submitted to Human Resources where all sponsored project funded payroll will be submitted into the ADP system, by HR, under Project Index Code 1H2016.
- Each month, when there is sponsored project funded payroll, HR will provide Accounting with a breakdown of payroll expenses, by individual, within the Project Index Code 1H2016, within 30 days of the end of the month.
- From there Accounting will transfer each employee's grant funded payroll into the associated sponsored program FOPAL, within 30 days of receiving the breakdown of payroll expenses from HR.
- Labor distributions must follow the procedures set forth in the Cost Transfer policy.
- Personnel charging salary to a sponsored activity fund must have their effort certified on a project, where required. See **OSP 0005 Effort Reporting Policy** for additional information

Summary:

- Any time a transfer is initiated, the assumption is that the transaction was not handled properly initially. If expenses are being transferred to a sponsored project fund account element, there will be considerable scrutiny of the reasons for the transfer and of the justification for moving those charges.
- Frequent and poorly documented cost transfers may indicate problems in the management of research.
- Federal auditors more closely scrutinize the allowability, allocability, and reasonableness of cost transfers.
- Federal research sponsors are giving increased attention to the reasons behind cost transfers from and to sponsored projects.
- There is significantly increased audit risk for cost transfers made beyond the approved guideline.
- Any systemic problems that might cause this problem to be repeated have been addressed.

Sanctions: Failure to adhere to this policy may result in disciplinary action.

Sponsored agreements funded with public money (federal, state and local government awards; subcontracts under government prime grants and contracts) are subject to full review of all project activity (program and financial) by auditors. All project activities must comply with sponsor terms and conditions and with all applicable regulations.

Exclusions: None

Review Cycle: Every two years or as needed. All OSP policies will be reviewed by the OSP Policy Committee, a cross-section of LU faculty and staff, in coordination with the Director of the Office of Sponsored Programs, for recommended revisions.

The Vice President for Outreach & Business Engagement will approve all OSP policies.

Glossary of Terms: N/A