

Office of Sponsored Programs
Procedure 30004 Cost Transfers Associated With Sponsored Awards

Revision Date: 03/01/2016

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	SCOPE	1
3.	PROCEDURE STATEMENT	1
4.	REASON FOR THE PROCEDURE	2
5.	DEFINITIONS	2
6.	TRANSFER OF SALARY/WAGE EXPENSE	3
7.	TRANSFER OF COSTS FOR OPERATING EXPENSES.....	5
8.	UNALLOWABLE COSTS	6
9.	ALLOWABLE COSTS	6
10.	REFERENCES.....	6
11.	CONTACTS	6
12.	ROLES AND RESPONSIBILITIES	7
13.	DISSEMINATION	7
14.	APPROVAL AND REVISIONS	7

1. Introduction

Responsible Officials: Senior Director of Post Award

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IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in red font below.

2. Scope

This procedure outlines the principles and guidelines regarding expectations and treatment of cost transfers on sponsored awards and provides guidance regarding cost transfer justifications.

The procedure applies to all university principal investigators, departments and offices that are involved in the administration, use or planned implementation of sponsored award agreements or subawards issued, regardless of the primary source of funding and specifically those individuals or units associated with requesting, authorizing and performing cost transfers on sponsored awards.

3. Procedure Statement

The Office of Sponsored Programs functions as the steward of Virginia Tech’s research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. This procedure reiterates the compliance

standards set forth in [2 CFR Part 200](#). The university's adherence to these cost principles and practices set forth in the standard is necessary to prevent cost disallowances by the federal government. It is the primary responsibility of principal investigators, and secondary responsibility of department heads, and administrators to understand and comply with the guidelines set forth in this procedure as the university adheres to the applicable portions of [2 CFR Part 200](#), the university [Policy 3255, Cost Transfers on Sponsored Projects](#) and OSP's internal procedure [OSP 10009 Mandatory Disclosure and Unallowable Costs](#).

4. Reason for the Procedure

Virginia Tech places high value upon its sponsored research activities and works to maintain full compliance with the components of its sponsored agreements and with federal, state, local and university laws, rules, regulations and policies.

All cost transfers must be allowable, allocable, processed in a timely manner, adequately supported and documented, and sufficiently justified by the transfer originator. This procedure establishes guidelines and processes necessary for the review of cost transfers by OSP and provides guidance regarding cost transfer justifications.

A list of allowable costs can be found in the [Uniform Guidance General Provisions for Selected Items of Cost \(2 CFR Parts 200.420-475\)](#). The Uniform Guidance also contains many other references to allowable and unallowable costs which provide assistance whenever a question about a cost's allowability arises. OSP strongly encourages principal investigators, or others involved in charging costs to sponsored awards, engage their assigned Post Award Associate (PAA) whenever a cost's allowability comes into question.

University departments and other originators of cost transfers must make every effort to correctly record expenditures to the appropriate sponsored awards when the original entry or transaction is posted to Banner, the university's financial system. Occasionally it may be necessary to transfer a cost to another award or fund to correct posting errors, to transfer a cost to a closely related sponsored award, or to remove cost overruns. This procedure provides guidance on such transfers.

5. Definitions

Award – a legal instrument of financial assistance between a sponsoring/awarding agency or organization (including pass through entities) and a non-federal entity that provides support or stimulation to accomplish a public purpose. Financial assistance is provided through granting of an award and is not considered a purchasing or procurement activity. A state or federal government is not buying something from the university when it gives the university an award; rather it is providing financial assistance necessary to help the university fulfill its own mission or to stimulate new activities at the university. An award is always made to accomplish a public purpose, and can also be referred to as a grant agreement or cooperative agreement.

Cost Transfer – the reassignment of an expense to or from a sponsored award after the expense was initially charged to another sponsored award or non-sponsored fund. Cost transfers include reassignments of salary, wages, tuition and other direct costs.

Federal Award – in accordance with [2 CFR Part 200.39](#), “Federal award has the meaning, depending on the context: The federal financial assistance that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity; or the cost-reimbursement contract under the Federal Acquisition Regulations that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity. The instrument setting forth the terms and conditions is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (b) of [2 CFR Part 200.40](#) Federal financial assistance, or the cost reimbursement contract awarded under the Federal Acquisition Regulations. Federal award does not include other contracts that a federal agency uses to buy goods or services from a contractor or a contract to operate federal government owned, contractor operated facilities (GOCOs). (See also definitions of Federal Financial Assistance, grant agreement, and cooperative agreement.)” It is financial assistance that provides support or stimulation to accomplish a public purpose. Financial assistance is provided through granting of an award and is not considered a purchasing or procurement activity. The government is not buying something from the university when it gives the university an award; rather it is providing financial assistance necessary to help the university fulfill its own mission or to stimulate new activities of national interest at the university that is currently not being undertaken. An award is always made to accomplish a public purpose. Also referred to as grant or cooperative agreement.

Federal Financial Assistance – in accordance with [2 CFR Part 200.40](#), “Federal Financial Assistance means assistance that non-federal entities receive or administer in the form of: grants; cooperative agreements; non-cash contributions or donations of property (including donated surplus property); direct appropriations; food commodities; and other financial assistance.” It is defined as financial support to accomplish a public purpose or further the mission of the agency providing the support. Financial assistance is provided through awards (grants or cooperative agreements). It is the purpose of the award rather than the service provided that distinguishes financial assistance from procurement.

6. Transfer of Salary/Wage Expense

Departments (or other originators of transfers) must submit all salary/wage transfers using the Banner Labor Redistribution System. Departments are responsible for adding comments to all requests identifying the necessity of the cost transfer. Comments are necessary to comply with federal cost transfer policies issued by the Federal Government (see [2 CFR Part 200](#)) and university policy (see policies [3105](#), [3240](#), [3245](#), [3255](#) and other policies and procedures related to recording financial activity in university funds).

Below are examples of comments that provide **insufficient** justification:

- To correct an error.
- To transfer expense.
- Administrative error or oversight.
- Deplete E&G (Education and General) funds prior to fiscal year end.
- Should be charged to a grant.

Ideally, comments **should** include all of the following explanations:

- The reason the expense was originally charged to the crediting fund.

- The benefit of charging to the receiving project.
- If applicable, the reason why the cost transfer is being requested more than 60 calendar days after the original transaction was posted to Banner.

Timely Payroll Cost Transfers: Banner Labor Redistribution requests within 60 days of the initial Banner posting date are routed and approved by the payroll section of the Controller's Office. These labor redistributions are considered timely. OSP does not conduct routine reviews or approvals of these transfers.

Each working day, OSP Assurance staff will compile and distribute new labor redistribution requests (greater than 60 days, but less than 90 days from the original Banner posting date) to the Associate Director of Assurance and Outreach or designee for review, additional explanation, and possible approval.

Marginally Timely Payroll Cost Transfers: Banner Labor Redistribution requests from 60 to 90 days after the original Banner posting date are considered marginally timely. For marginally timely cost transfers, the following criteria are used for considering the request.

- Is the fund receiving the charge active and does it have an available direct balance to cover the labor and associated fringe costs?
- Did the work occur during the award/fund budget period?
- Is the comment adequate? If necessary, the PAA will consult departments or cost transfer originators for additional information and add to the comment section of the Banner Labor Redistribution system to better document the reason for the transfer.

Once the answer to all of these questions is yes, Assurance will approve the labor redistribution. Occasionally, it is necessary to reject a marginally timely labor redistribution due to the cost being unallowable, not allocable, outside the period of performance, or because a fund has an inadequate direct balance.

Late Payroll Cost Transfers:

Late transfer requests are those initiated more than 90 days after the initial charge was posted in Banner or from the establishment of the fund in Banner, whichever is later. Labor requests over 90 days are scrutinized very closely and only limited numbers of exceptions are granted with adequate justification. They are scrutinized in greater detail and additional explanation is often requested from the Principal Investigator (PI).

Each working day, OSP Assurance staff will compile and distribute new labor redistribution requests (those greater than 90 days from the original Banner posting date) to the appropriate PAA for the initial OSP review and annotation of the justifications for the transfer. The PAA will answer the following questions in addition to the marginally timely questions.

- If the transfer involves one or more sponsored awards, is the research closely related (i.e. similar project titles or confirmation with PI)?
- Is the end date of the fund receiving the charge 60 days greater than today's date OR an extension is anticipated which would make it so?
- Is the Personnel Activity Report (PAR) certification date vacant on Banner screen FZIPARS?

If the answer to each of these questions is yes, the PAA will route the labor redistribution to the Associate Director of Assurance and Outreach or designee for review, additional explanation, and possible approval.

If the answer to any of these questions is no, the PAA will complete the labor redistribution checklist and consult with the Associate Director of Assurance and Outreach or designee for guidance. Exceptions allowing late transfers where the associated effort reports are already certified or where the end date of the program receiving the charge is within 60 days will be extremely infrequent. Rarely, these types of exceptions may be considered for very closely related awards. Such transfers are reviewed by the Assistant Vice President of Sponsored Programs or designee and exceptions approved on a limited basis, with a goal of continuously applying downward pressure on the overall ratio of late transfer exceptions to original payroll charges on sponsored programs.

Semiannually, the Assurance section of OSP monitors the ratio of late payroll funding transfers to original payroll charges on sponsored funds. Those departments with excessively large ratios relative to their peer departments will face additional scrutiny and late transfer exception requests are more likely to be denied.

7. Transfer of Costs for Operating Expenses

Department Initiated Journal Entries: Departments (or other originators of cost transfers) must complete journal entries transferring operating expenses (other than salaries/wages) between one or more sponsored awards. Journal entries must be accompanied by a Banner report exhibiting where and when the original charge was posted. As addressed in the transfer of salary/wage section, adequate comments must be included in the request. The journal entry must be approved by the PI, Department head or designee, and routed to OSP for review. The OSP associate responsible for processing the mail will identify the PAA associated with each sponsored fund and distribute as appropriate. The PAA will follow the same review process identified in the [Transfer of Salaries/Wages Expense](#) section of this procedure.

OSP Initiated Journal Entries: PAAs will notify departments on a monthly basis regarding funds with a negative direct balance. PAAs should offer to remove overdrafts from sponsored awards, providing the crediting fund is a non-sponsored fund (i.e. E & G or returned overhead). If desired, the department (or transfer originator) may choose to complete the journal entry. If a department fails to respond or remove the overdraft within 45 working days, OSP may generate a journal entry crediting a department overhead fund. A copy of the journal entry will be forwarded to the department for reconciliation purposes in a timely manner.

PAAs should transfer the amount of the overdraft from applicable operating account codes. If the fund doesn't have operating expenses, up to \$500 can be transferred using account code 11997 (transfer project cost overruns). If the amount is over \$500, the department will need to complete a Banner Labor Redistribution request.

Tuition Expenditure Journal Entries: Neither OSP nor departments should transfer tuition expenditures using a journal entry. Departments should use the tuition remission system to complete these transfers in a timely manner.

Cost-Overruns: Cost-overruns transferred to a non-sponsored fund, via journal entry, should have the box titled “sponsored project cost overrun” checked and “to remove cost overrun on sponsored project” should be included in the explanation.

8. Unallowable Costs

See [OSP 10009 Mandatory Disclosure and Unallowable Cost](#): “Unallowable costs are regarded as improper use of federal award funds, thus it is critical that award activity be closely monitored to assure only allowable costs impact sponsored awards. All individuals associated with a sponsored award should accept responsibility for monitoring award activity. Should an unallowable cost be discovered, prompt action must be taken to remove the unallowable cost in accordance with [Policy 3255, Cost Transfers on Sponsored Projects](#).”

9. Allowable Costs

A list of allowable costs can be found in the [Uniform Guidance General Provisions for Selected Items of Cost \(2 CFR Parts 200.420-475\)](#). The Uniform Guidance also contains many other references to allowable and unallowable costs which provide assistance whenever a question about a cost's allowability arises. OSP strongly encourages principal investigators, or others involved in charging costs to sponsored awards, engage their assigned Post Award Associate whenever a cost's allowability comes into question.

10. References

- [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)
 - [Virginia Tech Policy 1040, Reporting and Investigating Suspected Fraudulent Activities](#)
 - [Virginia Tech Policy 3105, Effort Certification](#)
 - [Virginia Tech Policy 3240, Consistency in Charging Administrative and Clerical Costs](#)
 - [Virginia Tech Policy 3245, Cost Sharing on Sponsored Projects](#)
 - [Virginia Tech Policy 3255, Cost Transfers on Sponsored Projects](#)
 - [OSP 10009, Mandatory Disclosure and Unallowable Cost](#)
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11. Contacts

- **Associate Director of Assurance and Outreach**
Office of Sponsored Programs
North End Center, Suite 4200
300 Turner Street NW
Blacksburg, VA 24061
540.231.0950
- **Assistant Vice President for Sponsored Programs**
540.231.5281

12. Roles and Responsibilities

- **Principal Investigators (PIs):** have the primary responsibility of award programmatic and financial activity, timely progress on reports and other deliverables, and assuring compliance with federal regulations and both prime and subrecipient award terms and conditions. PIs usually work through their department administrators to generate cost transfers on their awards. Generally, PI approval is obtained prior to any cost transfer.
- **Department Administrator/Business Support Center:** serve in a support role to the PIs in discharging their award and subaward oversight responsibilities and serve as a liaison to OSP. Usually, the department is the originator of costs transfers on sponsored awards based upon information supplied to them by the PI or designee.
- **Office of Sponsored Programs:** monitors and administers award activity in accordance with university contractual obligations; specific compliance with [2 CFR Part 200](#); associated federal laws, rules and regulations; and university policies and procedures.

13. Dissemination

This procedure may be posted on a Virginia Tech internet accessible site. Open public dissemination of this procedure is allowable.

14. Approval and Revisions

Initial Procedure was established in support of University Policy 3255, Cost Transfers on Sponsored Projects, and was approved by the Assistance Vice President for Sponsored Programs Administration, effective November 14, 2013.

This revision provides formatting and other miscellaneous updates and includes [2 CFR Part 200](#) updates. Approved by Assistant Vice President for Sponsored Programs on March 01, 2016.

The official version of this information will only be maintained in an on-line web format.
Any and all printed copies of this material are dated as of the print date.
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